

An Exploratory Examination of SMEs in Germany: Sustainability and Responsibility Engagement of ‘Mittelstand’ Firms in Baden-Württemberg

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Abstract

This thesis contributes to a field of scholarly research that seems to be receiving increasing attention, especially in recent times, although one has to acknowledge that there is still a severe lack of understanding. It is generally believed that the vast majority of research is still focused on large corporations, given their visibility and individual impact on the society, and this is particularly true in the research on sustainability and responsibility. In the course of this work, an extensive review of the relevant literature was conducted, including a holistic systematic analysis of a sample of leading small business and entrepreneurship journals, followed by an in-depth, narrative review based on a much broader selection of articles from various sources. The review revealed that there is little research on sustainability and responsibility in SMEs in Germany and that the vast majority of this research is quantitative in nature.

The aim of this research is to, thus, develop an in-depth understanding of the sustainability and responsibility engagement of manufacturing SMEs in the federal state of Baden-Württemberg and, hence, also present and analyse the views of the participants in this research. Manufacturing SMEs were selected as the focal sample as the sector is very important to the regional community and it can be assumed that, given the nature of their operations, they are in some ways engaged in sustainability activities. For this reason, an interview-study with 30 participants from the SME sector was conducted, underpinned by an interpretive research paradigm. The interviewees included owner-managers (OMs) and managing directors (MDs) from a purposively created sample of SMEs. It must be noted that the focus is not on addressing some CSR role models, but on the ‘ordinary’ SME instead.

The findings of this research are multifaceted. It was found that many SMEs in the sample tend to follow an extreme, long-term perspective based on a special ethos or values, such as fairness, honesty and trust. There seems to be a considerable reservation towards the business principles of large corporations. The research provides an in-depth discussion on various sustainability dimensions identified in the data. This includes embeddedness in the local community, which varies considerably between the participating firms; focus on employees, which tends

to be seen as the most important resource, and caring for them is for most participants an essential point; and engagement in environmental issues, which tends to be of lower importance for participants except in the case of practices that directly lead to positive economic results. Overall, the research identifies that economic considerations dominate the worldview of participants. However, firms are not considered instruments of short-term profits; instead, natural, long-term development of firms is the overall goal. The research additionally finds that some SMEs in the sample are motivated to find a balance between informal and formal management approaches. In total, one can conclude that the behaviour of SMEs cannot be directly considered to be related to the principles of sustainable development. However, the sample firms and their behaviour are definitely closer to a responsible way of doing business in comparison to many large corporations which also tend to affect many SMEs negatively through their market power and price pressure. This research provides an insight into the world of (owner)-managers of SMEs, thus contributing to a field that is currently dominated by descriptive quantitative research in Germany.

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List of Abbreviations

| | |
|--------|---|
| BMFSFJ | Bundesministerium für Familie, Senioren, Frauen und Jugend (Federal Ministry for Families, Senior Citizens, Women and Youth) |
| CC | Corporate citizenship |
| CSR | Corporate social responsibility |
| EC | European Commission |
| EKAM | Europäisches Kompetenzzentrum für Angewandte Mittelstandsforschung (European Competence Centre for Research on ‘Mittelstand’ Firms) |
| EMAS | Eco-management and audit scheme |
| EU | European Union |
| IFM | Institut für Mittelstandsforschung (Institute for Research on ‘Mittelstand’ Firms) |
| IMB | Institut für mittelstandsorientierte Betriebswirtschaft (Institute for ‘Mittelstand’-oriented Business Administration) |
| IÖW | Institut für ökologische Wirtschaftsforschung (Institute for Ecological Economy Research) |
| IPPC | Intergovernmental Panel on Climate Change |
| ISO | International Organization for Standardization |
| IW | Institut der deutschen Wirtschaft Köln (Cologne Institute for Economic Research) |
| MD | Managing director |
| MS | Main study |
| OECD | Organization for Economic Co-operation and Development |
| OM | Owner-manager |
| PS | Pilot study |
| SA | Social accountability |
| SME | Small and medium-sized entity |
| SR | Social responsibility |
| TBL | Triple bottom line |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| USA | United States of America |
| WCED | World Commission on Environment and Development |

| | |
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| WEF | World Economic Forum |
| WWF | World Wide Fund for Nature |
| WW2 | World War II |

1 Introduction

1.1 Background to the Research

An increasing number of articles on extreme weather phenomena can be seen of late. These seem to be a forerunner and an indicator of human-caused climate change, caused by greenhouse gas emissions, generally overstretching the limitations of the natural world by human action. There have been countless attempts to address these challenges, as regular international conferences indicate (for example, Quental, Lourenço & Nunes da Silva, 2011, pp. 18-22), but have not been very successful thus far. In fact, the opposite seems to be true; as Blewitt (2015, pp. 1-2) outlines, the situation has worsened. The level of carbon dioxide in the atmosphere has peaked, and natural resources are being depleted. There is relatively little doubt that the human species and its economic activities play a dominant role in this development. The OECD forecasts a continued severe destruction of the environment by the year 2050 and beyond. The generally agreed-upon target of limiting the average temperature increase to 2 °C hardly is realistic. Among several consequences, there could be a loss in biodiversity as well as severe groundwater depletion (OECD, 2012, pp. 22-25) in many regions.

According to the OECD, ‘As a result, continued degradation and erosion of natural environmental capital are expected to 2050 and beyond, with the risk of irreversible changes that could endanger two centuries of rising living standards’ (OECD, 2012, p. 19). The global ecosystem will be affected for centuries and the consequences are dramatic and can hardly be foreseen (IPPC, 2014, p. 16).

There also seem to be tremendous challenges regarding social issues such as poverty, hunger and inequality all over the world, although the wellbeing of people has improved over the last decades, according to a report by the United Nations Development Programme (UNDP, 2014, p. 33). However, armed conflicts all over the world, including in Europe, have increased recently, and may dramatically worsen the situation for many people. The gap between the poor and rich has widened in Germany (Bönke & Lüthen, 2014, p. 1276; Cingano, 2014, p. 10) although the social situation cannot be compared to regions of international crises. All these aspects are discussed under the term sustainable development, which tends to be a highly complex, multifaceted and normative concept. However, when looking at the current

challenges, immediate action and sustainability is more important now than ever (Blewitt, 2015, p. 1). In this research, the term ‘sustainability and responsibility’ will be used to describe phenomena related to economic, ecologic and social considerations of SMEs (see section 2.4).

SMEs and ‘Mittelstand’ firms, a German term describing a similar phenomenon, are used synonymously in this thesis and play a dominant role in many economies (EC, 2006, p. 5). Although the impact of an individual SME might be negligible, the collective impact of the SME sector matters. For instance, it is argued that the collective environmental impact of SMEs is substantial although measuring this is hardly possible. Nevertheless, there are estimations that indicate that SMEs are responsible for about 70 per cent of the total pollution (Hillary, 2000, p. 11). Over the last decades, a lively debate over the role of firms in the society has taken place. In 1970, Milton Friedman denied a comprehensive social responsibility for companies. However, today academia and companies are expected to consider certain environmental and social responsibilities (Basu & Palazzo, 2008, p. 122; Friedman, 1970; Solomon & Martin, 2004, p. 278). Surprisingly, most research—general as well as in the field of sustainability and responsibility—is focussed on large firms (Lee, 2008, p. 68; Lindgreen & Swaen, 2010, p. 5; Spence & Painter-Morland, 2010, p. 1; Spence, 1999, p. 163).

This section has identified two main problem areas, an under-researched SME sector, and challenges to ensure a long-term balance of the environmental, social and economic system. The next section will outline the research problem and objectives in more detail.

1.2 Research Problem, Objectives and Questions

Many scholars have strongly argued for fostering a research agenda on how SMEs see their role in society, and their behaviour (for example, Jenkins, 2004; Morsing & Perrini, 2009; Spence, 1999, 2007; Thompson & Smith, 1991). The literature review showed that there is no one ‘typical’ SME. Curran and Blackburn (2001, p. 6), for instance, point out that ‘small enterprises have an extreme range of forms’. This seems to be especially the case with ‘Mittelstand’ firms in Baden-Württemberg as standard definitions are mostly not applicable to them (Cost, 2006, p. 229). The lit-

erature review implies that most German research in this context has yet to sufficiently take into account the complexity of SMEs. For this reason, the present research intends to closely examine a specific industry, manufacturing SMEs, in a specific regional context, such as the state of Baden-Württemberg in Germany, as indicated by Lee, Herold & Yu (2015, no page), rather than applying a broad view, considering different industries or countries. This may help develop a more in-depth understanding of the subject under research. Thus, the overall objective of this thesis is:

To increase the understanding of why and how SMEs in the federal state of Baden-Württemberg consider issues of sustainability and responsibility, in terms of economic, environmental and social aspects in the agenda of the firm and including the responsibility of the firm towards general society.

This necessarily requires a thorough review of the literature to examine the current state of knowledge in the field. This work has identified a considerable gap in the field, especially in the German and Baden-Württemberg context. There is sparse research and limited knowledge on the sustainability and responsibility approach of SMEs, and this will become more evident later. The gap led to the following questions that guide this research's empirical fieldwork:

- What is SMEs' awareness and motivation to engage in sustainability and responsibility issues?
- How do SMEs understand their responsibility towards society?
- How do SMEs manage sustainability and responsibility issues?
- What are the drivers of and barriers to an SME engagement in sustainability and responsibility issues?

The nature of the research field as well as the objective of the questions raised in this study demand a flexible approach, ultimately leading to an in-depth understanding of the research matter. Thus, the research approach in this thesis can broadly be situated in an interpretive paradigm as will become more evident in section 4.4. The following section briefly introduces the structure of this research report.

1.3 Outline of Research Report

This research report is structured in a linear manner.

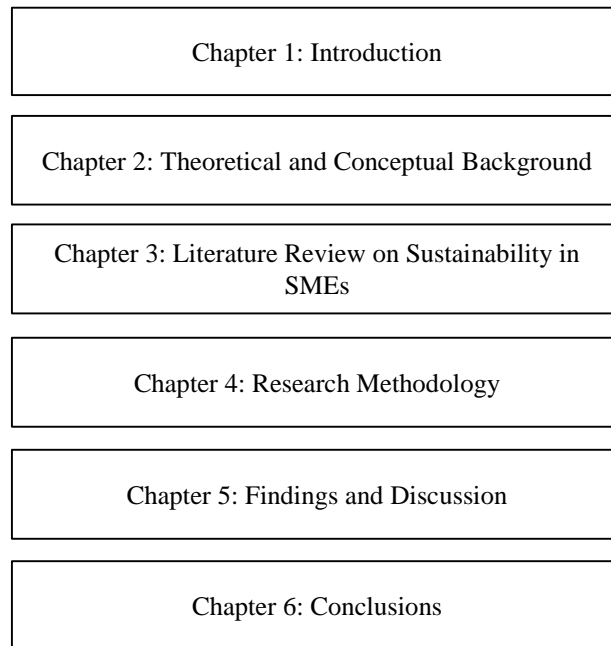


Figure 1: Outline of research report

(Source: own illustration)

Chapter 1 provides a brief introduction to the research project, develops an understanding of its significance, and discusses the objectives and research questions. Chapters 2 and 3 can be considered as literature review. Chapter 2 is used to reveal the theoretical and conceptual background of this research. First, it offers a discussion of terminological aspects and insofar defines the terms used in this research. Second, it provides the theoretical background to this research (stakeholder theory, social capital theory) and discusses the particularities of the SME sector. Chapter 3 provides a discussion of results of a systematic content analytical examination of a sample of the literature on sustainability in small business and entrepreneurship research and, hence, shapes the further research endeavour (section 3.2). This allows a holistic view on the research field and the approaches used within this field. The view is then extended by an in-depth discussion on empirical and conceptual studies—international as well as national—in order to develop a simple descriptive framework that organises the topic, identifies gaps and proposes questions (section 3.3). Chapter 4 then offers a detailed discussion of research philosophical and methodological issues. It develops an understanding of the research paradigm underlining

this work and provides a discussion on the methodology and fieldwork. Moreover, the data analysis approach is laid out in detail. Chapter 5 discusses the characteristics of the sample and participants, provides a detailed discussion on the findings and compares those with the literature. Chapter 6 finally summarises the main findings of this research in the light of the questions and explicitly shows the contribution of this work to the body of knowledge. It also indicates areas of further research and limitations by which this study is characterised.

2 Theoretical and Conceptual Background

2.1 Aim of Chapter

The overall aim of this chapter is to lay the terminological and conceptual foundation on which this research is based. Here, the discussion begins with providing an overview of terminological aspects of frequently used terms in the research field, in order to be able to develop a working definition of the sustainability understanding applied in this work. This also includes locating this research in the contextual background of Germany and Baden-Württemberg. Subsequently, two theoretical lenses will be discussed (stakeholder theory, social capital theory) that may help analyse and explain a potential sustainability engagement of SMEs. Finally, this chapter also includes a discussion on developing a definition for SMEs that will be applied throughout this work, and presents fundamental characteristics of SMEs. It is important to take into account, in this context, Welsh & White's (1981, p. 18) statement that 'small business is not a little big business'. Thus, it is important to be aware of the characteristics of SMEs when exploring their potential sustainability engagement.

2.2 Terminological Aspects and Concepts

2.2.1 Sustainability and Related Terms

Numerous terms used in the academic debate on the societal responsibility of business firms can be identified (for example, Bakker, Groenewegen & Hond, 2005, p. 288). Here, the understanding of the most common terms will be elaborated on in order to develop the sustainability and responsibility understanding applied in this research. It has to be noted that the literature on sustainability or similar subjects cannot be overseen, given the immense research output. This also goes in line with an immense plurality. Okoye (2009, pp. 623-624) even speaks of 'essentially contested concepts' for which it is unlikely to develop a commonly accepted understanding, considering the normative nature of concepts discussed in this field. Crane, McWilliams, Matten, Moon & Siegel (2008, p. 6), therefore, propose to understand terms such as corporate social responsibility (CSR) or corporate sustainability as a field of scholarship rather than as concepts, constructs or theory. Given the scope of this research, terminological aspects will be addressed only briefly.

2.2.1.1 *Sustainable Development and Corporate Sustainability*

Countless attempts have been made to define sustainability (Lozano, 2008, p. 1838; Mathieu, 2002, p. 11; Parkin, Sommer & Uren, 2003, p. 19; Rogers, Jalal & Boyd, 2008, p. 42) and, yet, there still is no generally accepted definition in the relevant literature (Montiel & Delgado-Ceballos, 2014, p. 122). Nevertheless, it is necessary to frame a basic understanding of the term. By doing so, it may be beneficial to start with the origins of the concept. Hopwood, Mellor & O'Brien (2005, p. 39) argue that 'the concept of sustainable development is the result of the growing awareness of the global links between mounting environmental problems, socio-economic issues to do with poverty and inequality and concerns about a healthy future for humanity.'

The most commonly used definition of sustainable development is the one of the World Commission on Environment and Development (WCED), developed in the Brundtland report in 1987 (Benn & Bolton, 2011, p. 209). According to that definition, sustainable development is '... development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987, p. 54). The report states that sustainable development consists of two key concepts:

- 'the concept of 'needs'; in particular, the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs' (WCED, 1987, p. 54).

The report further clarifies: 'In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony, and enhance both current and future potential to meet human needs and aspirations' (WCED, 1987, p. 57). According to Elkington (1997, pp. 70-71), the Brundtland Report 'had made it perfectly clear that equity issues, and particularly the concept of intergenerational equity, were at the very heart of the sustainability agenda.' Elkington (1997, p. 70) introduced the 'triple bottom line (TBL)' concept, denoting

a simultaneous focus on economic prosperity, environmental quality and social justice (people, planet, profit). These perspectives or dimensions have to be balanced and integrated (Rogers et al., 2008, p. 42). However, given the environmental threats indicated earlier, it has to be noted that preserving the natural environment nowadays has to be seen as the core element of sustainability, especially in developed industrial countries and, therefore, it is not surprising that the literature again develops a more ecocentric view on sustainable development (for example, Imran, Alam & Beaumont, 2014, pp. 139-141).

A tremendous problem is the vagueness and the normative character of the concept. Giddings, Hopwood & O'Brien (2002, pp. 188 and 192-193) show that a multifaceted variety of interpretations of sustainability can be found, and conclude that there is no such thing as sustainable development-ism in contrast to the schools of other concepts, such as neo-liberalism, feminism or socialism. Rather, existing worldviews or philosophies of people or organisations have flowed into their conception of sustainable development. Consequently, one has to take into account the philosophy underlying the proponent's point of view when examining an interpretation of sustainability. Haughton (1999, pp. 235-237) has summarised the concept of sustainability in five principles. Hopwood et al. (2005, p. 40) and Giddings et al. (2002, p. 194) acknowledge these principles, giving clarity to the ideas of sustainable development and linking human equity to the environment. The principles are:

1. Intergenerational equity, also known as the principle of futurity.
2. Intragenerational equity (social equity or social justice).
3. Geographical equity (transfrontier responsibility): This requires local policies to resolve global and local environmental problems.
4. Procedural equity: Regulatory and participatory systems should be devised and applied to ensure that all people are treated openly and fairly.
5. Inter-species equity: Places the survival of other species on an equal basis to the survival of humans.

Closely related to this discussion is also the term corporate sustainability that refers to sustainability in the corporate sphere, put more generally in the world of business firms. According to Dyllick & Hockerts (2002, p. 131) and Schwartz & Carroll

(2008, p. 162), corporate sustainability is based on the 1987 published Brundtland Report. As a very simple explanation, this statement can be used: ‘From a corporate perspective, sustainability encompasses economic, environmental and social issues that have business implications’ (Asif, Searcy, Zutshi & Ahmad, 2011, p. 354). Dyllick & Hockerts (2002, p. 132) point out that the three dimensions are interrelated and, hence, one may assume that the different dimensions affect each other in multiple ways. Furthermore, they consider long-term view and success as critical. As firms tend to overemphasise short-term profits and quarterly results, mainly driven by stock markets, this attitude has to be classified as incompatible with the basic idea of sustainable development.

Writings about sustainability and responsibility also commonly refer to CSR, which is a prominent concept used in research. The following discussions provide an understanding of the concept.

2.2.1.2 Corporate Social Responsibility

CSR is probably the most widely used term to describe the relationship between business and society, and goes back to Bowen’s book *Social Responsibilities of the Businessman*, published in 1953, that can be seen as the starting point of the academic debate on the topic. According to various scholars (Crane & Matten, 2010, p. 53; Jones, Bowd & Tench, 2009, p. 302; Salzmann, 2008, p. 8), one of the most significant contributions and accepted models of CSR comes from Carroll (1979), which has been further developed over time. Carroll (1979, p. 500) has proposed the following definition of CSR:

‘The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.’

The definition clarifies that an organisation tends to have four basic responsibilities. For Buchholtz & Carroll (2008, p. 40), the definition combines economic and legal expectations of organisations with social concerns of the wider society—ethical and discretionary responsibilities. With regard to the discretionary view, the term philanthropic became common. According to Carroll (2008, pp. 33-34), the prevalent view

is that economic responsibilities are seen as actions of self-interest, whereas the other three responsibilities are directed towards the society. However, he argues that corporate practices of economic viability and perpetuating the business system are also aimed at the society. This serves as rationalisation to include the economic responsibility into the definition of CSR (also Carroll, 1999, p. 284). Carroll (1991, p. 42) illustrates the responsibilities of firms by means of the ‘Pyramid of Corporate Social Responsibility’. The pyramid can be illustrated as follows:

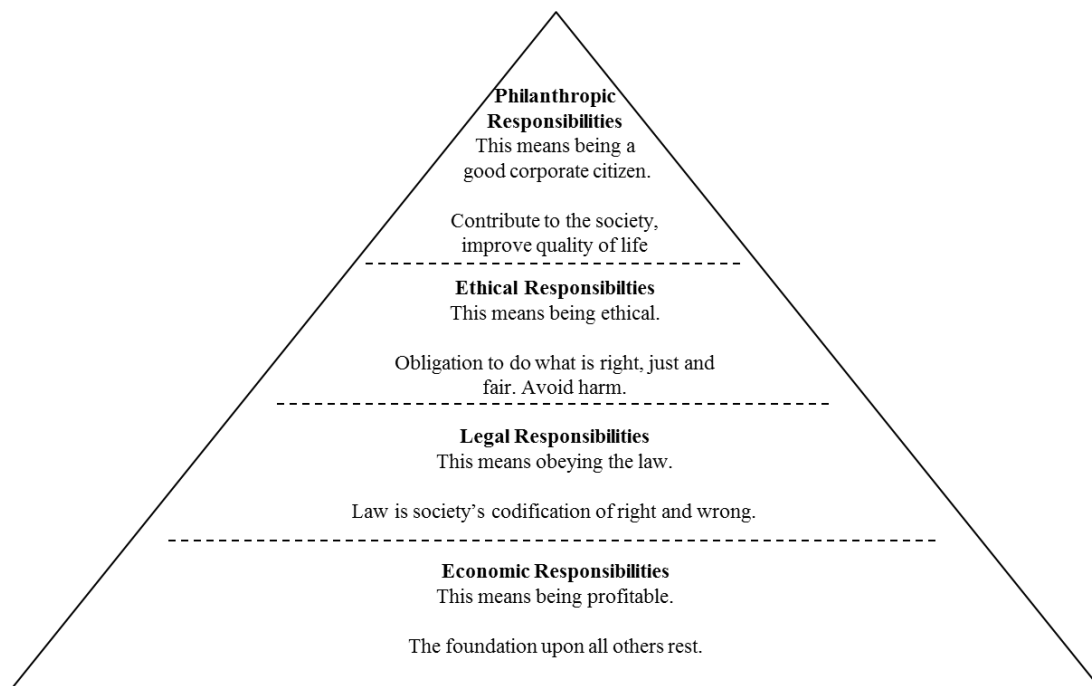


Figure 2: Carroll's CSR pyramid

(Source: adapted from Carroll, 1991, p. 42)

The model has also been heavily critiqued. For instance, one must not understand it as a cumulative responsibility (Griseri & Seppala, 2010, p. 11). Hence, they remind us that it might be possible, for instance, that a firm satisfies the ethical expectations, even if it fails to meet its legal responsibilities. Crane & Matten (2010, p. 55) point out that a major problem of the model is 'that it is strongly biased towards the US context'. For this reason, keeping in mind the specific background of the country in which the research is conducted is seen as very important. These aspects are addressed in a separate section in which the German context will be analysed (see section 2.2.1.4).

Dahlsrud (2008, p. 2) presents a systematic approach to study the content of different CSR definitions. He has analysed similarities in and differences between 37 definitions by means of five dimensions. These dimensions are very helpful to frame how CSR can be understood:

| Dimensions | Explanation | Example phrases |
|-------------------------|--|--|
| Environmental dimension | Natural environment | ‘A cleaner environment’ ‘Environmental concerns in business operations’ |
| Social dimension | Relationship between business and society | ‘Contribute to a better society’ ‘Integrate social concerns in their business operations’ |
| Economic dimension | Socio-economic or financial aspects, including describing CSR in terms of a business operation | ‘Contribute to economic development’ ‘Preserving profitability’ |
| Stakeholder dimension | Stakeholders or stakeholder groups | ‘Interaction with their stakeholders’ ‘Treating stakeholders’ |
| Voluntariness dimension | Actions not prescribed per law | ‘Beyond legal obligations’ ‘Voluntary’ |

Table 1: Dimensions to describe content of CSR definitions

(Source: adapted from Dahlsrud, 2008, p. 4)

The analysis of the sample definitions revealed that the environmental dimension received significantly lower attention than other dimensions. However, when CSR is explained in more detail, the environmental and the social dimensions are equally emphasized. There is a 97 per cent probability that at least three of the dimensions are used in random definitions, but a systematic use of the different dimensions is not apparent. Furthermore, Dahlsrud (2008, p. 5) concludes that ‘it is not possible to separate the definitions into different schools of thought’. Here, the terminological plurality is apparent again. Nevertheless, the conceptualisation above provides helpful clarification on the essence of CSR in general, which is important to be considered throughout this research.

With regard to the terminological variety, Moon (2007, p. 298) also points out that the different definitions can be interpreted as a reflection of the different practical

orientations of companies. Hence, the CSR definition may reflect their individual business impact as well as the stakeholder towards which the engagement is oriented, despite parts of the literature demanding the development of a unifying definition that provides firms with clear standards (Sheehy, 2014, no page). The following table provides an overview on some attempts of firms defining their responsibility. The sample consists of manufacturing companies located in southern Germany. These companies have been selected based on a ranking of CSR reports of SMEs in Germany conducted by IÖW/future (2012, pp. 14-15). In cases without a clear-cut definition of CSR, example statements are given to help frame an understanding. All definitions/statements have been taken from CSR reports.

| Company | Responsibility understanding |
|---|---|
| Mattes & Ammann (2013) (Translated from German) | Mattes & Ammann adopt the Brundtland definition of sustainable development. They further refer to a three-pillar model of sustainability. <ul style="list-style-type: none"> • The human being is the focal area and the employee is the most important asset • Focus on the local region (employees, suppliers, society) • The firm claims to fulfil its social responsibility • The firm pursues a long-term economic existence and success as well as an equity ratio of 100%. • Environmental management contributes positively to the economic dimension; the vision intends full transparency of the ecological impact of the used resources and the final product |
| (Schreiner Group, 2015) (Translated from German) | Schreiner Group sees itself as a part of society and strives for valuable contribution. The executive board and managers as well as the employees are committed to a sustained protection of the environment The corporate identity is characterised by the four values: innovation, quality, performance and pleasure Sustainability means that responsibility for economic success is strongly linked to the pursuit of an ecologically and a socially just policy. Hence, the corporate acting is not based on short-term objectives but rather follows a long-term approach and recognises its multifaceted societal responsibility |

Table 2: Selected responsibility interpretations

(Source: own illustration)

Kakabadse, Rozuel & Lee-Davis (2005, p. 281) argue that such interpretations are often characterised by managerial scope, adopt either a business or society-centred route and frequently refer to sustainability. The examples in the table above definitely represent a business-oriented view which also tends to focus on economic success. There is a tendency in the above-presented SMEs to not offer a clear-cut definition, but instead explain what is seen as characteristic for their responsibility and how they address those issues.

Commonly, CSR also implies ideas of what is seen as ethical, right and wrong in a society, and this, consequently, also refers to values which will be addressed in the following section.

2.2.1.3 Business Ethics and Values

Benn & Bolton (2011, p. 13) note that business ethics ultimately relate to principles that describe what is seen as right or wrong from a moral standpoint in a society and, consequently, encompasses the issues of values and beliefs. Crane & Matten (2010, p. 8) propose the following definition of morality, which shall also be applied here:

‘Morality is concerned with the norms, values, and beliefs embedded in social processes which define right and wrong for an individual or a community.’

Much has been written on business ethics and the field has a long and established tradition (for example, Griseri & Seppala, 2010; Wicks, Freeman, Werhane & Martin, 2010). Fisher, Lovell & Valero-Silva (2013, p. 150) note that while ethics constitute a branch of philosophy that has to be studied, values can be perceived informally through social processes. The overall focus of this research is on sustainability; this inevitably includes the integration of ethical and moral aspects (for example, in managerial decisions). However, ethics and the numerous ethical theories developed over centuries do not fall within the scope of this research since business ethics do not seem to be discussed with the same intensity in Germany despite the long tradition of ethical theorists (Küpper, 2007, p. 265). Moreover, in Germany, ethical issues tend to be dealt with in an implicit way as will be discussed in section 2.2.1.4.1.

The discussion of Nystrom (1990, pp. 971-972) emphasises the importance of values of managers for the ethical tone in a firm (for a more general review, see Hitlin & Piliavin, 2004). Rokeach (1979, p. 48) clarifies that values serve as shared conceptions of what is wished in a society. Insofar, they serve as standards. Rokeach (1979, p. 49) proposes the following definition:

‘...human values are conceptualized as consisting of a relatively small number of core ideas or cognitions present in every society about desirable end-states of existence and desirable modes of behavior instrumental to their attainment that are capable of being organized to form different priorities.’

It can, hence, be argued that values insofar guide the decisions of individuals and firms, if those values are institutionalised and, consequently, determine what is seen as morally right or wrong. Moreover, Fletcher, Melin & Gimeno (2012, p. 127) note that values could be important resources in crisis situations since they may support continuity in decision-making during uncertain times. For instance, Koiranen (2002, pp. 181-182) refers to values such as honesty and credibility, among others, when analysing the values of Finnish family firms. Values in this research are primarily seen as some latent beliefs that certainly influence the behaviour of the participants in the fieldwork undertaken in this research.

2.2.1.4 Responsibility in National and Regional Contexts

It has been argued earlier that the contextual framework of Germany may impact what is seen as responsible behaviour. For this reason, the following sections address the national level at first and, later, apply a more regional focus on Baden-Württemberg.

2.2.1.4.1 Characteristics of German System

2.2.1.4.1.1 Political and Historical Context

Moon (2007, p. 298) argues that what is seen as a responsibility for a business organisation depends on the national social, economic, governance and environmental system. Therefore, a specific issue may be seen as a business responsibility only in one country, but as a governmental, societal or individual responsibility in another

country (see also Stieb, 2009, p. 406). There are indications that the state dominates the public sphere of politics and the economic system in Germany. Market interactions, environmental regulation and corporate governance systems are legally regulated. Social insurance contributions are quite high, but taxes are moderate (Habisch, Patelli, Pedrini & Schwartz, 2011, p. 384; IW, 2005, p. 10; Winkler & Remišová, 2007, p. 421).

Habisch & Wegner (2005, p. 112) show how deeply the sense of social security is embedded in Germany. Reichskanzler Bismarck introduced in the 1880s several social security laws—such as pension insurance and health insurance—in order to improve the social protection of workers. Although these legislative initiatives have to be seen as ground breaking, it is necessary to keep in mind that the motive was to diminish the power of the Socialists and the Catholics. Nevertheless, the initiatives provided the base for the German population to rely on the state for a social balance. Furthermore, the idea of a socially responsible entrepreneur has an even longer tradition in Germany (Heblich & Gold, 2008, pp. 8-14; Hiss, 2009, p. 435).

The German system is historically also characterised by an underdeveloped capital market, in comparison to the US or the UK, and, therefore, banks are very important in corporate funding. Banks represent a major external source of finance for German firms, especially for SMEs (Audretsch & Elston, 2002, p. 5; Chandler, 1990, p. 398; Deutsche Bundesbank, 2012, pp. 22-23).

2.2.1.4.1.2 Market Economic and Labour System

The characteristics indicated above consequently affect the economic system as well. Hiss (2009, p. 435) notes that this sort of organised capitalism follows an implicit consensus. This consensus binds the main groups in the state and in the economy to the common agreement that private interests have to be in line with the common good. The concept of the so-called social market economy (Soziale Marktwirtschaft) relies on the model of Rhenish capitalism, and similar forms can also be found in Austria, Benelux countries, Japan, Scandinavia and Switzerland (Albert & Rauf, 1996, p. 184). According to a survey by the OECD, Rhenish capitalism can be summarised as:

‘A stylised version of the German model is that it relies on continuous monitoring of managers by other stakeholders, who have a long-term relationship with the firm and engage permanently in important aspects of decision-making and, in case of dissatisfaction, take action to correct management decisions through internal channels. ... In incorporated firms (Kapitalgesellschaften) ... the two board company structure, based on the existence of a supervisory board, has traditionally provided a broad representation of stakeholder interests, being a vehicle for integrating otherwise unrepresented, or under-represented, interests into the governance structure ... In contrast, the Anglo-American model is typically taken to imply that individual stakeholders have little direct influence on management and that dissatisfied stakeholders ‘vote with their feet’.

Table 3: Rhenish Capitalism

(Source: Albert & Rauf, 1996, pp. 184-185)

Habisch & Wegner (2005, pp. 112-113) point to another particular feature of the social market economy. A consensus-oriented approach is also reflected in parts of the education system in Germany. Vocational training is traditionally covered by public schools, but also, to a considerable extent, by business firms through intense on-the-job trainings, which are an integral part of apprenticeships. It is important to note that this formerly voluntary engagement of corporations has developed to rather institutionalised natural rules. This is also the case for aspects like collective bargaining of trade unions and some social or environmental standards (Friedrich & Hadasch, 2010, p. 132).

A very unique feature of the German business system is the long tradition in participative management that involves employees and their representatives in corporate decision-making (Wächter & Muller-Camen, 2002, p. 76). Weiss (2005, p. 48) points out that the system of employee involvement represents a central element of labour law in Germany. The involvement in decision-making is implemented by means of the works council system. Works councils in Germany are entirely comprised of employees, and act as an institutionalised counterpart of the management with the objective of ensuring that aspects concerning employees are adequately considered in the decisions of the company. According to the Works Constitution Act, every organisation with at least five employees has to establish a works council, if initiated by the staff. It is important to note that although works councils are independent from trade unions, in principle, they mostly have common members in practice (Weiss, 2005, pp. 48-49). According to Schlömer-Laufen, Kay & Holz (2014, p.

15), works councils have considerable power as participation and co-determination in several areas—such as points that have social, personnel or economic relevance to the firm—are legally required. While the size of the works council depends on the concerned company's size, the power and duties of the committee do not (Welge & Witt, 2013, p. 190). Insofar, there are only limited facilitations for smaller firms.

With regard to SMEs, Weiss (2005, p. 49) argues that many of them do not tend to have works councils. However, this cannot categorically be seen as irresponsible behaviour since it is the task of the employees to establish a council. There is no legal sanction if the employees fail to do so. The way of integrating employee interests into the decision-making process of SMEs might be an interesting point to address in the empirical part of this research as employees have been identified as a central stakeholder in the context of the sustainability and responsibility engagement of SMEs (see section 5.2.6).

2.2.1.4.1.3 Cultural Issues

According to Blasco & Zolner (2010, p. 218), continental Europeans tend to be more reluctant to publicly speak about ethical issues, and Palazzo (2002, p. 200) notes that it is much more common in continental Europe to see a contradiction between responsibility or ethics in general and business as it is, for instance, in the US. Varying religious traditions may explain this different view. A positive relationship between business and ethics might result out of a puritan work ethic (Calvinism), which emphasises that profits are supposed to be given back to improve the situation of the whole society. Continental Europe is historically marked by feudalism and Catholicism, which may have supported a negative view on the moral standards of business (Palazzo, 2002, p. 200). Furthermore, one has to take into account different traditions of moral philosophy in Germany and the US. Kantianism is still a dominant moral philosophy in Germany and assumes that 'genuine ethical thinking should be based exclusively on principles and duties and be free of any consideration of utility'. On the contrary, utilitarianism represents a dominant moral philosophy in the US and more easily allows the convergence of virtue and self-interest (Palazzo, 2002, p. 201).

It is commonly accepted in literature to apply cultural dimensions, such as those suggested by Hofstede (2001). The dimensions individualism/collectivism and uncertainty avoidance, in particular, have been used to explain a culture's attitude towards responsibility (Buck & Shahrim, 2005, p. 45; Habisch et al., 2011, p. 386; Vachon, 2010, p. 358). Habisch et al. (2011, p. 386) state that cultural studies in Germany usually find a relatively high level of individualism. However, overall Germany tends to be more community-oriented and relies on shared norms or values (despite the regional differences). Anglo Saxon countries tend to be characterised by a higher level of individualism (Palazzo, 2002, pp. 203-204). Hence, people in individualist countries believe more strongly that most of the aspects in life are manageable, also ethical issues. Germans, in contrast, feel more strongly that their lives are externally controlled, for example, due to a relatively strong state (Palazzo, 2002, p. 205). Another important point is the attitude of a society towards risks. Germans demonstrate a high level of uncertainty avoidance, and tend to be more cautious, or even pessimistic. However, they are also idealistic and thoughtful, focussing on the development of theories and principles before dealing with facts. In comparison, Americans, for example, traditionally have a low level of uncertainty avoidance and tend to be optimistic, pragmatic and proactive (Habisch et al., 2011, p. 386; Palazzo, 2002, pp. 207-209).

There are differences between an implicit and explicit model of responsibility (Crane & Matten, 2010, p. 55; Matten & Moon, 2008, p. 409). This can be illustrated as follows:

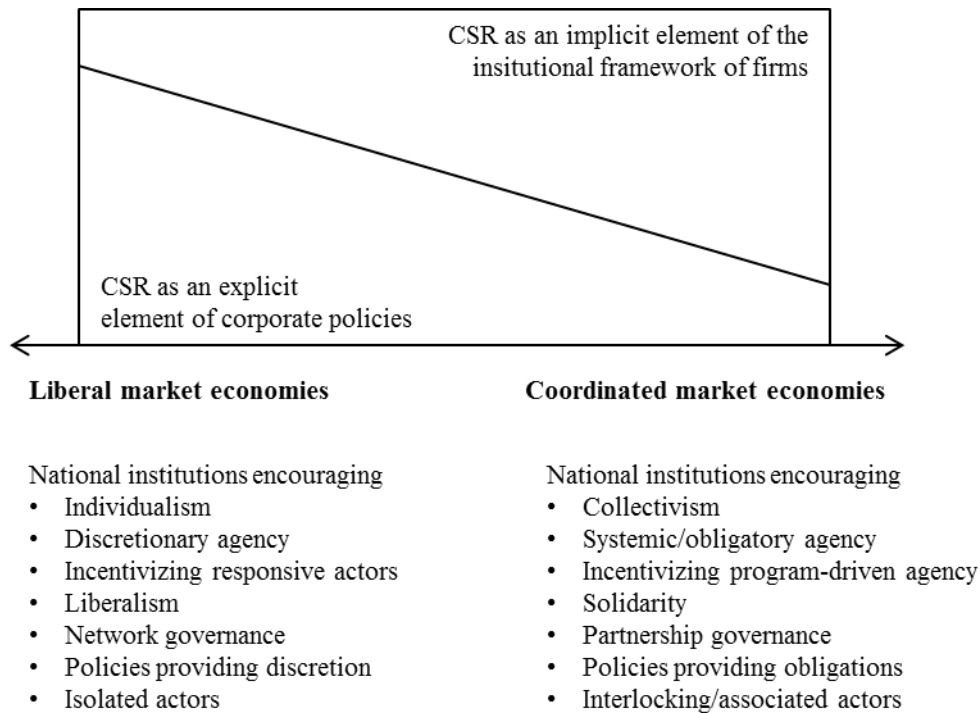


Figure 3: Implicit and explicit CSR
(Source Matten & Moon, 2008, p. 411)

Given that companies in liberal economies have for long had the chance to show their voluntary engagement for the society, we have to acknowledge that the historical and cultural context in Germany has supported the development of a more implicit model. Hiss (2009, p. 434) argues that in coordinated economies, such as in Germany, ‘adherence to implicit CSR rules and requirements had made an explicit debate about CSR dispensable for a long time’ due to the strict regulatory framework. According to Matten & Moon (2008, pp. 409-411), explicit CSR refers to corporate policies voluntary in its nature like programs and strategies, which aim to combine social and business value. It is noteworthy that the base for explicit CSR is corporate discretion rather than considering governmental authority, or general formal or informal societal institutions. In contrast, within the context of implicit CSR, companies reflect values, norms and rules that result in (mandatory and customary) requirements, which determine the appropriate obligations for the interaction with the society or stakeholders. These obligations apply for the collective business sector rather than focusing on individual cases. Hence, implicit CSR cannot be interpreted as a voluntary and deliberate business decision, it rather results from the reflection of a firm’s institutional environment (Matten & Moon, 2008, p. 410).

2.2.1.4.1.4 *Implications*

Matten & Moon (2008, pp. 416-417) argue that the institutional framework in Europe is changing as the EU has supported deregulation, flexibilisation and liberalisation of business and markets. This naturally affects Germany as well (Dustmann, Fitzenberger, Schönberg & Spitz-Oener, 2014, pp. 168-169; Hassel, 2014, p. 61). Hiss (2009, pp. 436-437) argues that an erosion of organised capitalism in Germany can be observed due to globalisation which undermined the power of trade unions, boosted the diffusion of precarious and fluctuating jobs, and increased the importance of stock markets fostering a short-term view.

Nevertheless, it is questionable whether the fundamentals of a grown national business system could be changed within a short period of several years (Buck & Shahrin, 2005, p. 58; Vitols, 2005, p. 395). Dustmann et al. (2014, p. 168) note that the institutional system between employer associations, trade unions and works councils mainly remained unchanged, but the way it operated changed. Thus, for example, the share of workers covered by union agreements considerably declined. Finally, for Matten & Moon (2008, p. 417), it is evident that SMEs in Europe ‘still tend to enact their social responsibility within long-standing formal and informal networks rather than through explicit policies’. Hence, one could assume that a change mostly has affected large corporations. The following table exemplifies the main characteristics for Germany and the US, in order to substantiate the main differences between fundamentally diverse societal and economic systems:

| | Germany | USA |
|-----------------------------|---|--|
| Political area | Modest role of government Relative strong state Regulated markets and highly developed social system | Small role of government Free markets and weak social security systems |
| Financial system | Small to medium role of stock markets Importance of the SME sector | High role of stock markets Importance of large multinational corporations |
| Education and labour market | Dominance of public schools and universities (regionally governed by the federal states) Considerable union membership | Dominance of private schools and universities High dynamic and flexible labour market |
| Cultural aspects | High uncertainty avoidance High individualism (but much more collective in comparison to the US) | High diversity and individualism |

Table 4: Comparison of national characteristics
(Source: adapted from Habisch et al., 2011, p. 385)

It can be argued that all of the characteristics addressed above apply to the regional context of Baden-Württemberg as well. Nevertheless, given the regional differences in Germany, it might be useful to address the particularities of the region in which the fieldwork is conducted. With regard to this, especially cultural aspects might be of interest, which affect how responsibility is practised.

2.2.1.4.2 Baden-Württemberg Context of this Research

Baden Württemberg is a state in the southwest of Germany and was founded after WW2 in the year 1952 (Weber & Wehling, 2012, pp. 113-114).¹ Historically, Baden-Württemberg can be seen as a classic example of particularism, which still explains the regional differences and decentralism (Wehling, 2004, pp. 19-20). Baden-Württemberg is one of the most successful regions nationally and globally. Industrial production, although slightly decreasing, still plays an important role in the state. Industries characteristic of the economic structure are mechanical engineering, au-

¹ An overview of the federal state in English language is given by Landeszentrale für politische Bildung (2008).

tomotive construction and electrical engineering (Cost, 2006, pp. 220-222). Reindl (2003, pp. 253-254) notes that independence and individualism seem to be widely spread and firms show a great interest in keeping, as much as possible, production within the company, and spending time inventing before making use of external sources. Reindl (2003, p. 254) calls this the typical do-it-yourself mentality (*klassischer Selbermacher*). These attitudes might be rooted in the historical development of the region. SMEs ('Mittelstand' firms) are considered typical for the regional economy of Baden-Württemberg (Cost, 2006, p. 229; Herrigel, 1996, pp. 19-20; Weber & Wehling, 2012, p. 123). However, Cost (2006, p. 229) also notes that a standard, quantitative definition cannot be applied since, in the regional context, entrepreneurial attitudes and the closeness of the owner to the firm are key in determining whether a business can be considered a 'Mittelstand' firm. This will become more evident later (see section 2.5.1).

People in Baden-Württemberg are commonly associated with a number of characteristics such as diligence, endurance and thriftiness in combination with the tendency of working meticulously and inventing things. Given the lack of natural resources and, partly, limited access to natural trade routes, it can be argued that creativity and entrepreneurial thinking form the base of the region's economic success (Landeszentrale für politische Bildung, 2001, p. 46). In a similar vein, Cost (2006, p. 216) considers technical competencies and knowledge as well as entrepreneurial verve as the basis for the strength of the regional economy.

It is important to be aware of potential contextual or cultural aspects that may influence the sustainability and responsibility behaviour in the conducted fieldwork. However, it also has to be noted that identifying a typical 'regional-ness' of the sustainability and responsibility engagement is not in the scope of this research and, perhaps, also not realistic, given the immense cultural differences of the people in Baden-Württemberg (for example, Wehling, 2004, p. 20).

2.3 Underlying Theories

The following sections discuss the stakeholder theory and the social capital theory. The stakeholder theory is a prominent conception in the debate on sustainability, and CSR as indicated earlier, and also commonly used in SME research (Castka,

Balzarova, Bamber & Sharp, 2004, p. 148; Jenkins, 2006, pp. 245-246; Sweeney, 2007, p. 518). Social capital, primarily rooted in social sciences, however, does not yet seem to be discussed to the same extent in the responsibility debate. However, it may be relevant, especially in the context of SMEs; for example, given their relationship to local communities (Russo & Perrini, 2010, p. 208; Spence, Schmidpeter & Habisch, 2003, pp. 17-18; Spence, Werner & Wegner, 2004, p. 1). A more general discussion of networks is not considered in this research as the overall focus here is on sustainability issues, and networks in general are not particularly related to this research field while social capital indeed is (Vázquez-Carrasco & López-Pérez, 2013, p. 3216). Moreover, given the very preliminary knowledge in the field of study in the specific context of this research, the application of ethical theories (for example, Ayios, Jeurissen, Manning & Spence, 2014, p. 112) is not in the scope of this research, but rather the consideration of two established theoretical lenses is seen as a useful starting point. However, it has to be noted that, given the exploratory nature of this research, the aim is not to apply or test one specific theory, but there indeed is the feeling that being aware of those two theoretical lenses may help understand parts of the sustainability engagement of SMEs.

2.3.1 Stakeholder Theory

The stakeholder theory is a relatively modern concept and was brought into the mainstream business literature in 1984 by Freeman. The concept has become a dominant one in literature and can undoubtedly be regarded as a mainstay of management theory (Hörisch, Freeman & Schaltegger, 2014, p. 328; Montiel & Delgado-Ceballos, 2014, p. 12; Schwartz & Carroll, 2008, p. 160; Wilson, 2003, pp. 4-5). The importance of business-society relationships and, hence, also the importance of stakeholders can be explained with the general systems theory (Murray, 2010, pp. 41-42; Wood, 2010, p. 51). According to Lawrence & Weber (2011, p. 5), the general systems theory applied to management theory implies that firms are embedded in a broader social structure. This relationship is characterised by a constant interaction between the different parties.

Crane & Matten (2010, p. 61) note that the fundamental idea of the stakeholder theory, which basically can be subsumed as the acceptance that there is a whole range of groups or individuals with a legitimate interest in the corporation is simple and read-

ily understood. However, they also remind us that the numerous attempts of defining a stakeholder make it difficult to develop a commonly accepted understanding of the concept.

With regard to the definition of stakeholders, there is a narrow view and a broad view (Freeman, Harrison, Wicks, Parmar & Colle, 2010, p. 26; Schwartz & Carroll, 2008, p. 161). The narrow view is restricted to stakeholders that are important for the *viability* of the firm. These so-called primary stakeholders are financiers, customers, suppliers, employees, and communities (Freeman et al., 2010, p. 26). The most often cited definition of a stakeholder is probably the one used by Freeman et al. (2010, p. 26) which include the so-called secondary stakeholders. This broader view implies that ‘a stakeholder is any group or individual that can affect or be affected by the realization of an organization’s purpose’. According to this view, a firm must also consider groups such as consumer advocate groups, special interest groups, media, government as well as competitors, in order to create value (Freeman et al., 2010, pp. 24-26). Figure 4 illustrates this point. The inner part shows the primary stakeholders and the outer part shows the secondary stakeholders.

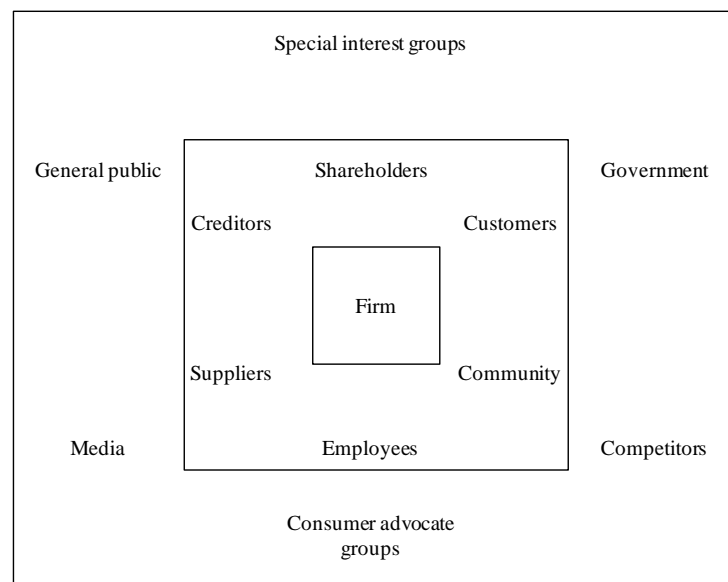


Figure 4: Stakeholder groups

(Source: adapted from Freeman et al., 2010, p. 24; Letza, Sun & Kirkbride, 2004, p. 243)

Crane & Matten (2010, p. 62) note that the range of stakeholders may vary from company to company. With regard to SMEs, it can be assumed that there are fewer

stakeholders relevant to the firm compared to large corporations since many SMEs tend to be more strongly focussed on certain markets or industries. Mitchell, Agle & Wood (1997, pp. 865-868 and 874) developed a typology, in order to identify and select stakeholders based on the attributes power, legitimacy and urgency. How these stakeholders will be treated by an organisation depends on the stakeholder definition (narrow or broad) and, ultimately, on the values incorporated in the applied stakeholder approach; this means, for example, if an instrumental or a normative view (see Donaldson & Preston, 1995) is applied to the respective stakeholder approach.

Nevertheless, Dunfee (2008, p. 353) reminds us that even when relatively narrowly defined, it is likely that different stakeholders have different and, sometimes, competing interests. A higher compensation for employees or better procurement conditions for suppliers may result in a lower return for shareholders or higher prices for customers. Investments in advanced environmental protection may cause higher costs, though it is likely that the higher costs might be compensated through efficiency gains, at least to a certain extent. However, it is still not totally clear how the environment can be mapped in a stakeholder relationship system (Thompson & Driver, 2005, p. 62), as it logically cannot claim the consideration of its protection. This directs us towards a different way of categorising stakeholders. A non-social stakeholder is unable to directly communicate with an organisation and demand its consideration, whereas a social stakeholder can do so. Future generations, non-human species and the physical environment are typical representatives of non-social stakeholders. The interest of non-social stakeholders can be communicated through special interest groups, such as Greenpeace or WWF, and can also be covered by media (Buchholtz & Carroll, 2008, pp. 85-88; Griseri & Seppala, 2010, pp. 28-29). Although Buchholtz & Carroll (2008, p. 88) rank the above-mentioned non-social stakeholders as primary ones, one might assume that primary social stakeholders can more effectively enforce their claims. Furthermore, one has to acknowledge that the consideration of future generations, especially, as well as the protection of the physical environment and non-human species can be seen as important elements of the sustainable development concept. Hence, every company, which follows the principle of sustainability by using the stakeholder theory has to maintain a balanced consideration of the respective interests.

Although this theory can be easily criticised in general (for example, Greenwood 2007, p. 321), like the majority of theoretical models in academia, discussing two main points of criticism is important. As a first point, it is necessary to keep in mind that Mitchell et al. (1997, p. 871) suggest that managers are central to the proposed theory as they finally decide which stakeholder claims will receive attention. However, as the focus of this research lies on SMEs, it is important to recognise that this type of businesses is characterised by fundamental differences in comparison to the manager-oriented organisation approach of large corporations. Schlange (2009, p. 24) confirms that there are indeed ‘fundamental differences between managers and entrepreneurs which evidently need to be recognised’. Second, it is indispensable to keep in mind that the application of the stakeholder approach as an instrument to follow the principle of sustainable development might cause serious difficulties, as indicated above.

In this regard, Clifton & Amran (2010) and, more recently, Hörisch et al. (2014) have usefully discussed the extent to which the stakeholder approach is consistent to the postulate of sustainability. Taking the principle of a sustainable world for granted, this means the alignment of businesses with the criteria of wellbeing and justice for them, the authors conclude that the stakeholder approach in its current form shows significant deficits to be an appropriate tool to assist firms in progressing towards a sustainable world (Clifton & Amran, 2010, p. 133). According to Clifton & Amran (2010, p. 133), the power attribute is especially important as it provides the rationale to favour one group of stakeholders over another and, therefore, has to be seen as problematic and incompatible with the postulate of sustainable development. This problem is inherent in assuming a narrow or broad stakeholder view, although one could argue that a broad view is definitely closer to the sustainability principle. Hörisch et al. (2014, p. 332) identify dissimilarities between sustainability and the stakeholder theory, mainly in considering the natural environment, the long-term stability of the overall system as well as the interdependence of economic, environmental and social issues.

Although attempts have been made in literature to map different streams of the stakeholder theory (Donaldson & Preston, 1995, pp. 70-71; Hörisch et al., 2014, p. 330), it nevertheless has to be stated that there is an on-going discussion on whether

or not the stakeholder approach can be considered as theory. Taking into account the many different ways that have been used to approach the field, some scholars, indeed, argue that it has no solid base and has to be seen as a weak theory, a science tradition, or general orientation (Dunfee, 2008, p. 358; Fassin, 2009, p. 116). In contrast, Donaldson & Preston (1995, p. 74), indeed, believe that there is an overall theory and that the different views cover aspects of this overall theory. They also believe that the central core of the theory is normative. Egels-Zandén & Sandberg (2010, p. 37) see the distinction between one theory or several theories as a semantic question.

Nevertheless, from the point of the researcher, the discussion above indicates that firms necessarily should take into account claims of their stakeholders. The stakeholder theory, hence, offers a useful perspective to conceptualise the sustainability and responsibility engagement of firms also keeping in mind the limitations of the concept.

Another theoretical lens that is applied in the analysis of sustainability and the societal engagement of SMEs is the social capital theory that, Benn & Bolton (2011, p. 182) believe, may help understand better the social dimensions of sustainable development. The findings of Vázquez-Carrasco & López-Pérez (2013, p. 3209) indicate that the social capital theory outshines even the stakeholder theory in the research on sustainability and responsibility of SMEs. The theory will be discussed in the following section.

2.3.2 Social Capital Theory

Since the late 1980s, the concept of social capital has experienced a wide application as indicated by Lee (2009, p. 248). The academic discussion on social capital started with the writings of Bourdieu in Europe and Coleman in the US (Halpern, 2005, pp. 6-9). Social capital has been applied to study the responsibility engagement of SMEs in Germany and elsewhere (for example, Spence et al., 2003; Werner & Spence, 2004). There is a developing stream of research on social capital, SMEs and OMs more generally, as indicated by Manning (2015, p. 30). Here, it is not intended to provide a general critique of the theory and its different nuances and streams as, for instance, Adler & Kwon (2002), Lee (2009) and, very recently, Manning (2015,

chapters 2 and 3) provide comprehensive reviews of social capital literature. Instead, some thoughts on the social capital literature may help explain the responsibility engagement of SMEs.

The very essence of social capital appears to be relatively simple. The basic idea is that many people are part of a number of social networks or associations (family, friends, any type of acquaintances) and, hence, are connected with each other through social structures (Halpern, 2005, pp. 2-3). Robert Putnam, a prominent contributor to the social capital debate, proposed the following understanding (Putnam, 1995, p. 665):

‘By ‘social capital’ I mean features of social life—networks, norms, and trust—that enable participants to act together more effectively to pursue shared objectives.’

First of all, norms are closely related to values discussed earlier in this thesis. However, norms indicate a higher level of acceptance in society. According to Coleman (1987, p. 135), norms can be interpreted as expectations about the rightness or wrongness of actions and, hence, prescribe what ultimately is expected from an individual or a group. Trust can be seen as the core principle of social capital (Coleman, 1988, p. S98; Halpern, 2005, p. 3). Networks have been a dominant theme in research on entrepreneurship and SMEs. More generally, a network can be defined as ‘a social structure comprised of a set of relationships between a set of individuals that is viewed as being ‘greater than the sum of its parts’ ...’ (Conway & Jones, 2012, p. 341).

It is necessary to conceptualise the notion of social capital further in order to develop an understanding. This can be done by the systematisation of Nahapiet & Ghoshal (1998, pp. 243-244). The following two points are seen to be relevant to this research:

- Structural social capital refers to the impersonal overall structure of the network, and the relationships and linkages between the members.

- Relational social capital refers to the quality of the relationships or better said, to the kind of personal relationships resulting from a history of interaction (for example, friendship). It can be assumed that this personal quality significantly affects the nature of the relationship.

Moreover, a distinction must be drawn between bonding and bridging social capital. While bonding social capital refers to the internal ties in a community—such as features that contribute to the collective cohesiveness of the group (for example, ethnicity, religion)—bridging social capital deals with external relationships in networks tying those different actors together and creating some kind of identity (Adler & Kwon, 2002, p. 19; Werner & Spence, 2004, p. 16). There is the tendency to see SMEs particularly related to their local community, as also indicated by Habisch (2004, p. 25). This may imply that an external view could be especially useful to describe parts of the sustainability or responsibility engagement of SMEs. However, at the same time, SMEs tend to be characterised by a personal closeness of the owner(s) and the staff, which may indicate that there also might be activities that refer to the internal perspective supporting the cohesiveness of the group, in this case the staff. In a similar vein, Woolcock & Narayan (2000, p. 227) indicate that the combination of bonding and bridging capital may influence the range of outcomes of social capital. There are many further attempts to define what can be understood under social capital (see for that Adler & Kwon, 2002, p. 20). Here, it is seen useful to present just a few more attempts, in order to exemplify the essence of social capital:

| | |
|------------------------------------|--|
| Nahapiet & Ghoshal, (1998, p. 243) | ‘...as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital, thus, comprises both the network and the assets that may be mobilized through that network.’ |
| Adler & Kwon (2002, p. 23) | ‘Social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor.’ |

Table 5: Exemplary social capital definitions
(Source: own illustration)

Social capital, nevertheless, tends to be a vague and contested concept that can indeed be critiqued (Woolcock, 1998, pp. 155-159) as there is no one agreed-upon definition, but a plethora of different understandings depending on the context in which it is applied (Werner & Spence, 2004, p. 8). The overall meaning is that it can be seen as an asset and is related to resources that may be secured by means of membership in some kind of network (group, community, etc.), and may potentially allow access to professional knowledge. Besides, when values and norms are shared, one may also experience care, friendship, encouragement or moral support (Lin 2001, p. 19; Portes & Landolt, 2000, p. 532; Woolcock, 1998, pp. 154-155). However, as the discussion of Lin and Erickson (2008, p. 4) reminds us, potential resources are embedded into networks, but are not possessed by the individual members of a network.

Social capital can lead to resources being available to actors who interact with their community. However, why should members of a network share their resources? With regard to this, Portes (1998, p. 7) identifies two motivations. First, it can be argued that there might be an overall obligation because it complies with the norm (for example, some kind of religious convictions). This position is referred to as consummatory motivation. The second point, perhaps more relevant to this research, is instrumental motivation, assuming that someday in the future the person who gives at present will be repaid in the future, when the need arises (norm of reciprocity).

Hence, there is an overall belief that social capital is somehow advantageous to those who can create and make use of it (Burt, 2000, p. 348; Portes, 1998, p. 4), and this has been recently supported by a meta-analytic study by Stam, Arzlanian & Elfring (2014, p. 167). Basically, social capital is associated with an increase in reputation and access to knowledge of groups and networks (Manning, 2015, pp. 31-36). It is important to note that building social capital usually requires the investment of resources (for example, material resources, cultural knowledge) so that a relationship with a valued other can be established (Portes & Landolt, 2000, p. 531). Thus, building social capital can also be linked to downsides (for example, Portes & Sensenbrenner, 1993, pp. 1338-1344). Werner & Spence (2004, pp. 12-14) note that the building process is fairly time-consuming, costly and adheres to strong norms,

and that identification can limit alternative ways of approaching problems. This could reduce the creativity and scope of activities for firms to do business. Moreover, the negative aspects could be—for instance, the exclusion of others from a network—may also lead to a restriction of opportunities for the members of the respective network (Portes, 1998, pp. 15-16). With regard to this, it is useful to refer to the discussion of Granovetter (1973, p. 1378) whose findings indicate that while strong ties in a network may lead to fragmentation, weaker ties may considerably simplify the use of opportunities as there are few restrictions. Very strong ties may also increase the danger of what has been discussed by Nahapiet & Ghoshal (1998, p. 245) under the term collective blindness.

Nevertheless, Spence et al. (2003, p. 19) stress the importance of the embedded and interactive nature of the concept for SMEs and their OMs. According to Spence et al. (2003) and Habisch (2004, p. 30), investing in social capital may lead to the following outcomes:

- Stabilises mutual expectations and enable collective action (trust)
- Increases the reputation of the firm
- Constitutes a kind of insurance and risk management
- Supports the access to information and local knowledge

However, it is important to note that the capacity to obtain social resources, for example, by means of connections does not guarantee a positive outcome (Portes & Landolt, 2000, p. 532).

The discussion above indicates, from the point of the researcher, the importance of social relationships and the benefits that can result from them. In this research, the fundamental ideas of social capital—that networks might be the source of goodwill others may have towards us and this goodwill may represent an important resource for the recipient (Adler & Kwon, 2002, p. 23)—are seen as helpful background lens and may help analyse the sustainability and responsibility behaviour of SMEs. In fact, Aragón, Narvaiza & Altuna (2015, no page) argue that ‘the drivers of SR and drivers of social capital overlap largely’. This would also indicate instrumental motivation for a sustainability and responsibility engagement.

2.4 Synthesis of Sustainability Understanding Applied in this Research

The discussion above revealed that the terms used to describe the relationship between firms and the society (such as CSR or corporate sustainability) tend to be vague and contested. There also is the tendency that terms can be used interchangeably as they all encompass some responsibility towards society, environment and stakeholders (Dahlsrud, 2008, p. 4; Marrewijk, 2003, p. 102). Figure 5 may help illustrate the relationship of the terms:

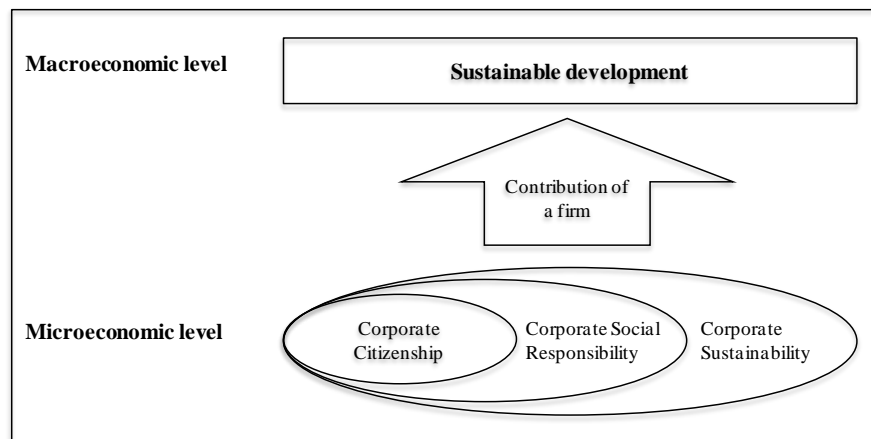


Figure 5: Conceptualisation of firm's contribution to sustainable development

(Source: adapted from Loew et al., 2004, p. 72)

This work shall be seen in the tradition of research with a focus on sustainability. In this research the term 'sustainability and responsibility' will be used and sustainability and responsibility will be treated synonymously (see, for instance, Castrellon Gutierrez, Mittelstädt & Zabel, 2014, p. 150; Hahn, 2013, p. 442; Marrewijk, 2003, p. 102 for similar treatment), and shall be understood in a broad sense contributing to a sustainable development. Here, sustainability and responsibility are also used as an umbrella term and in a similar vein to others (for example, Baumann-Pauly, Wickert, Spence & Scherer, 2013, p. 693; Jenkins, 2006, p. 245). However, it is important to note that CSR is also related to this research; but is, from the point of the researcher, a term primarily related to large corporations. Nevertheless, given the prominence of the term in the research field, ideas discussed in the CSR sphere may also be intertwined to the sustainability and responsibility understanding in this research. Given the nature and the complexity of the concept, it is inevitably necessary to develop a pragmatic working definition that can be applied in the field. The researcher is aware of the fact that this pragmatism may not do complete justice to the

holistic principles inherent to the sustainable development concept. Nevertheless, the discussion above ultimately results in the following working definition of sustainability and responsibility:

In this research, sustainability and responsibility of a firm shall be understood as a mindset and approach that include a balanced consideration of economic, environmental and social issues. The very core of sustainability contains the postulate of a long-term perspective, usually over several generations. Moreover, individuals or institutions adhering to the principle of sustainability accord high importance to act ethically. This goes beyond legal obligations and is informed by a respect of the moral values of stakeholders in a community, region or country in which the individual or institution is acting.

Despite the vagueness, obviously inherent to the working definition, there is an overall confidence that the understanding captures an important part of the sustainability debate. For this reason, this definition is used as the underlying working definition.

2.5 SMEs as Research Subject

The SME sector can be considered to be crucial to the competitive development of Europe and Germany. It employs the great majority of labour force and also accounts for close to two-thirds of the sales volume in the non-primary sector (Mulhern, 1995, p. 83; Welter et al., 2015, p. 1). According to the European Commission, SMEs are a major factor for entrepreneurial skills, innovation, technological change and employment. Thus, they increase prosperity and the competitiveness of the European economy. The SME sector in the expanded EU represents 99 per cent of all companies and provides approximately 75 million jobs (EC, 2006, p. 6). In Germany and in many other countries, SMEs can be considered to be the backbone of the economy (Kayser, 2006, p. 34; Krüger, 2006, p. 14). In Baden-Württemberg, SMEs provide two-thirds of the jobs and 80 per cent of vocational training positions, accounting for about 50 per cent of the value creation (Cost, 2006, p. 229).

An increasing interest in SMEs has been recently observed (Curran & Blackburn, 2001, p. 1). According to Tilley (2000, p. 32), the following points can be brought forward on why research so far has focussed on large companies:

- Small firms are perceived as lacking sufficient resources
- Research methodologies created for large firms are not readily adaptable to small firms
- More information is accessible to research large firms
- Large firms have a higher public visibility, generating more interest in the respective theories and research

SMEs are indeed smaller than large corporations, but Curran & Blackburn, (2001, p. 5) remind us that ‘small does not mean simple’. One, for instance, must not see SMEs as scaled-down versions of large firms. Penrose (2009, p. 17) correctly notes that ‘the differences in the administrative structure of the very small and the very large firms are so great that in many ways it is hard to see that the two species are of the same genus’. One may argue that the individual impact of a small firm might be negligible when compared to the impact of large multinational enterprises. However, when looking at the whole sector, the argumentation of Morsing & Perrini (2009, p. 1), that ‘... it also matters a lot for the global economy to what extent small businesses decide to engage in CSR activities’, makes sense.

There are numerous ways of defining and conceptualising what an SME, or a ‘Mittelstand’ firm, is. Hence, the following section briefly develops an understanding of the term SME applied in the fieldwork of this research as well as related terms, such as family business or entrepreneurship.

2.5.1 Defining SMEs in this Research and Related Terms

The SME sector is extremely heterogeneous and there is no general consensus on how to define SMEs (Becker & Ulrich, 2011, p. 21; Curran & Blackburn, 2001, p. 9; Jenkins, 2004, p. 38). In Germany, different conceptualisations exist and are common in research, such as proposals of the Institut für Mittelstandsforschung (IfM) at

Bonn,² Europäisches Kompetenzzentrum für Angewandte Mittelstandsforschung (EKAM) at the University of Bamberg³ or the European Union (EC, 2006, p. 14). The concepts differ significantly and complicate comparability of research results. Preuss & Perschke (2010, p. 533) acknowledge these immense problems and propose a conceptualisation based on qualitative criteria derived from agency theory and the resource-based view of the firm. This criticism is indeed correct, especially taking into account the rather strict definition of the European Union, which treats enterprises with more than 250 employees as large firms (Curran & Blackburn, 2001, p. 9; EC, 2006, p. 14). Furthermore, the threshold of 250 employees does not seem to be applicable in the context of Baden-Württemberg since there are many businesses that see themselves as part of the ‘German Mittelstand’, despite exceeding the quantitative threshold. This holds especially in the case of manufacturing and mechanical engineering firms, considered to be the backbone of the regional economy. It behaves similarly to the conceptualisation of the IfM which sees SMEs up to 500 employees. However, a pure qualitative approach might not be practical in the sampling process.

Cost (2006, p. 229) clearly argues that standard SME definitions may not be applicable in this context as being part of the ‘Mittelstand’ is primarily a question of entrepreneurial attitudes and the relationship of the owner or owning families with their firm and employees. For these reasons, it has been decided to use the conceptualisation of the EKAM at the University of Bamberg as an orientation, which claims to be more relevant and practical for SME research (Becker & Ulrich, 2011, p. 28). In this research, the number of employees has been chosen as the main classifying characteristic as turnover affects the organisational nature of a firm very marginally. The conceptualisation follows:

² <http://en.ifm-bonn.org/definitions/sme-definition-of-ifm-bonn>.

³ <http://www.uni-bamberg.de/ekam/service>.

| Category | Number of employees | Turnover |
|-------------------|----------------------------|-----------------|
| Micro firm | Up to 30 | Up to 6 m EUR |
| Small firm | Up to 300 | Up to 60 m EUR |
| Medium-sized firm | Up to 3,000 | Up to 600 m EUR |
| Large firm | Above 3,000 | Above 600 m EUR |

Table 6: SME definition of EKAM
(Source: Becker & Ulrich, 2011, p. 29)

According to Becker & Ulrich (2011, p. 29), it is important to note that the quantitative thresholds must not be understood as absolute and rigid boundaries, but rather as an orientation since qualitative criteria seem to be more important in capturing the characteristics and the nature of an SME sector player. Hence, the conceptualisation considers the following qualitative criteria, in order to ensure that only firms are covered, which show some of the typical characteristics of SMEs. According to Becker and Ulrich (2011, p. 28), the characteristics are:

- Owner-managed or family firms
- Firms led by external managers up to the threshold of medium-sized firms
- Firms characterised by the two above-mentioned issues

The discussion of Preuss & Perschke (2010, p. 533) indicates some further points, which are seen as relevant, in order to ensure that the sample firms are relevant to the SME research field. These are:

- Little or no separation of ownership and control; however, if so, then there is an informal relationship
- Undiversified owner structure
- No publicly traded securities
- Usually, fewer stakeholders, interacting on a one-to-one basis

As there is no consensus on the definition of SMEs, it is necessary for researchers to justify the definitions they have used (Curran & Blackburn, 2001, p. 9). It is argued that the proposed understanding considers appropriately the contextual situation in which the research is conducted although comparability with other research, especially international, may be limited. However, the chosen conceptualisation must not be understood as a clear-cut solution and claims no universal application, but can indeed be seen as a reasonable and pragmatic base for research on SMEs, as it seems to consider the self-understanding of many firms better than other conceptualisations listed earlier.

Additionally, two terms—entrepreneurship and family business—related to the conceptualisation of SMEs developed above can be found. Both are established research fields (for example, Bird, Welsch, Astrachan, & Pistrui, 2002; Busenitz et al., 2003), but there is some overlap in the research field on SMEs (Siebels & Knyphausen-Aufseß, 2012, p. 304). Both entrepreneurship and family business lack a clear and generally accepted definition and, hence, terms tend to be ambiguous. Davidsson (2004, p. 4) usefully provides two ways of understanding entrepreneurship:

- The first understanding sees entrepreneurship in the light of self-employment, independent businesses, OM's and similar, and this may imply that all SMEs can be considered to be entrepreneurial.
- A second understanding accords great importance to the aspect of development and societal renewal, and to new business ventures that support some kind of change. Following this view, SMEs should not necessarily be considered to be entrepreneurial.

From the perspective of the researcher, identifying opportunities, creating something to exploit this opportunity (for example, innovation), realising value (for example, Stokes & Wilson, 2010, pp. 32-33) is an important part of the business of many firms that have participated in this research (see section 5.2.4). Therefore, there certainly are indications of some entrepreneurial characteristics, such as SMEs being a considerable source of innovation (Luetkenhorst, 2004, p. 159); this seems to be particularly true in the case of Baden-Württemberg (Einwiller, 2012, p. 27). However, it is not in the scope of this thesis to discuss the phenomenon of entrepreneurship

in detail but rather acknowledge that some SMEs may be considered to be entrepreneurial firms. The same holds true for the field of family business. Chua, Chrisman & Sharma (1999, p. 25) suggest the following definition of family firms:

‘The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.’

This certainly is only one example in the plethora of family firm definitions (for example, Astrachan, Klein & Smyrnios, 2002, p. 45; Chua et al., 1999, pp. 21-22). However, it is understood as covering the very essence of the family business. Here again, it urgently has to be taken into account that some firms, participating in this research, could be considered to be family firms, but the focus is not on the characteristics that makes them a family firm. Instead, the focus is on SMEs and their special organisational characteristics as well as how these might impact their relationship with the society and how they see their responsibility. For this reason, the discussion moves on to present some elementary characteristics of SMEs also in contrast to large corporations.

2.5.2 Characteristics of SMEs Compared to Large Corporations

In large corporations, management and control is divided and performed by a highly specialised staff, while SMEs are characterised by a personalised style of management and the lack of formalised management structures. A very common form of SMEs is the owner-managed firm (Jenkins, 2006, p. 242; Kayser, 2006, p. 35) in which personal decisions on how to use the resources of the company are the dominant factor. In SMEs led by external managers, the owner influence can be ensured by means of an advisory board. Thus, the owners and OM and their personality play a dominant role in shaping the culture and moral climate in SMEs (Burns, 2011, p. 18; Spence, 1999, p. 164). According to Hammann, Habisch & Pechlaner (2009, p. 38) a close connection between the OM and his company can be identified in many cases. This connection strongly influences the company’s strategies, practices and decisions and, thus, considerably influences the behaviour and the role of the company in the broader context of the society. The literature principally indi-

cates that SMEs exhibit a strong desire to apply a long-term perspective since the overall goal is also to ensure the survival of the firm over generations (Fassin, 2008, p. 371; Hankinson, Bartlett & Ducheneaut, 1997, p. 172). One has to recognise that there is a strong everyday operational pressure to keep the business running and often several short-term issues should be solved simultaneously, which may lead, given the dominant position of the owner, to reactive and ad hoc approaches (Gélinas & Bigras, 2004, p. 271; Spence & Rutherford, 2001, p. 127; Spence, 1999, p. 165). Hence, there seldom is scope to implement a strategic perspective or instruments (Britzelmaier, Thiel & Kraus, 2009, p. 343; Deimel & Kraus, 2007, p. 166; Stonehouse & Pemberton, 2002, p. 860).

Another point important to this research is informality. In many cases, it is assumed that SMEs work less professionally and make less use of formal instruments, but are strongly characterised by informal and intuitive procedures, whereas large corporations are highly formalised and have at the same time to bear enormous organisational costs (Penrose, 2009, p. 16; Pichler, Pleitner & Schmidt, 2000, p. 27; Wolf, Paul & Zipse, 2009, p. 17). SMEs are further characterised by flexible structures and a flat hierarchy, which principally allows them to react or make decisions in short time, and this may support a quick adaption to a changing environment (Hankinson et al., 1997, p. 170; Hudson, Smart & Bourne, 2001, p. 1105; Jenkins, 2006, p. 242).

Furthermore, it is a common theme in literature that SMEs in many cases show a lack of resources, which may reduce the willingness to consider aspects not related to the direct business of the firm (Burns, 2011, p. 18; Gray, 2004, pp. 460-461; Thompson & Smith, 1991, p. 31; Tilley, 2000, p. 33; Wolf et al., 2009, p. 18). On the one side, SMEs may face problems in accessing financial resources (Burns, 2011, p. 18). According to Krimphove & Tytko (2002, p. 7), the German SME sector is characterised by relatively low equity ratios (Krüger, 2006, pp. 23-25). The low equity base consequently also negatively affects the financing possibilities through bank credits, the main financing source for German SMEs. Hence, for SMEs, it is a frequent practice to pay a risk premium and/or provide collaterals. On the other side, Loucks, Martens & Cho (2010, p. 184) point out that there are indeed smaller budgets in SMEs, but fewer people might be involved in budgetary decisions and, hence, this would result in less restrictions on access to internal financial

resources. A lack of resources can be also identified with regard to skilled employees. Given this, SME employees tend to be generalists who have to cover a broader working field rather than their highly specialised peers in large corporations (Pichler et al., 2000, p. 26).

Finally, the discussion above can be summarised according to Bos-Brouwers (2010, p. 419) illustrating the main characteristics of SMEs and large companies:

| SMEs | Large corporations |
|---|--|
| Dominant role of the entrepreneur/owner | Delegated management control between board of directors and shareholders |
| Resource poverty (capital, time, knowledge and skilled personnel) | Economy of scale, resource abundance |
| Flexible organisation practices | Bureaucratic rigidity |
| Focus on short-term | Focus on mid- to long-term |
| Strong local/regional focus and customer needs orientation | Strong (inter)national focus and looser ties with customers |
| Low degree of formalisation | High degree of formalisation |

Table 7: Characteristics of SMEs and large corporations
(Source: Bos-Brouwers 2010, p. 419)

The discussion above illustrates that SMEs indeed seem to have a special characteristic that differentiates them from large corporations although generalisation is not possible, given the heterogeneity in the SME sector. Nevertheless, it is reasonable to assume that these characteristics also influence the approach of SMEs towards sustainability and responsibility. Whether these characteristics apply to the sample firms in the fieldwork of this research will be addressed in section 5.2.4.

2.6 Chapter Summary and Implications

The aim of this chapter was to discuss the conceptual and theoretical fundamentals, and pave the path for the following chapters. Here, it is important to note that there is a great plurality of understanding of terms conceptualising sustainability and responsibility. For this reason, a working definition has been proposed. It is very important to consider the contextual factors of the country or region in which the research is undertaken. Consequently, the contextual situation of Germany and Baden-

Württemberg has been analysed. This was followed by a discussion of two major theoretical lenses that might help support the analysis of the sustainability and responsibility approach of SMEs in the fieldwork. While the stakeholder theory seems to be prominent in the research field, social capital appeared rather recently in the debate on SMEs and their societal engagement. Finally, it is of exceptional importance to understand that SMEs are not small versions of large corporations. They are very heterogeneous and yet share some characteristics that differentiate them from large corporations.

3 Literature Review on Sustainability and Responsibility in SMEs

3.1 Aim of Chapter

As the previous discussion has revealed, theories and concepts in the business-society field are contested and are highly ambiguous. Although research in this domain has been conducted over several decades, the overall field still seems to be in an emergent situation (Crane et al., 2008, p. 6; McWilliams, Siegel & Wright, 2006, p. 2), and this is even more true in the case of SMEs. This makes it even more important to develop an understanding of the research in the field of study, based on a holistic view; for example, either to find out whether the field has made any progress (Bakker et al., 2005) or to identify and analyse the applied research approaches (Lockett, Moon & Visser, 2006; Taneja, Taneja & Gupta, 2011). For this reason, the researcher decided to apply a stepwise approach. First of all, a systematic literature review on a sample of leading small business and entrepreneurship journals will be conducted, in order to develop an overall understanding of the knowledge in the field. In a second step, the literature will be extended by a broader selection of articles from various journals, including small business and entrepreneurship, business ethics, environmental management and general management journals as well as edited book volumes and other reports.

By doing so, this research has reviewed a comprehensive volume of recent conceptual and empirical work. The following sections discuss themes which are especially relevant to the subsequently carried out empirical research on manufacturing SMEs in Baden-Württemberg. Furthermore, this chapter intends to precisely define a set of research questions which earlier have been formulated rather broadly.

3.2 Part One: Systematic Literature Review Approach

The systematic review of the literature is based on articles published between 2002 till 2012 in nine leading small business and entrepreneurship journals. The journals have been derived from the official ranking of the German Academic Association for Business Research⁴ (appendix 1), and the articles have been analysed by a con-

⁴ The ranking can be accessed at http://vhbonline.org/uploads/media/Ranking_Gesamt_2.1.pdf. In the meantime, the ranking was updated again (VHB-Jourqual 3). Changes regarding the quality categorisation of the journals are hence added in brackets to the table of appendix 1.

tent analytical approach (Duriau, Reger & Pfarrer, 2007, pp. 17-21). This approach is strongly inspired by the works of Egri & Ralston (2008), Lockett et al. (2006) and Taneja et al. (2011) with regard to either the objectives or the applied methodology, since these studies are considered to provide a very useful account of the nature of the literature. The overall objective is to analyse how the research field of sustainability in the small business and entrepreneurship literature has developed over a certain period of time, in order to draw conclusions for the own research project.

In total, there were identified 130 articles (total number of articles: 2,688) and this implicates that 4.84 per cent of the articles are related to sustainability aspects. Appendix 2 provides an overview of the distribution of the articles in the sample journals. Moreover, the data indicate that most of the literature in the sample has a focus on social issues (57.7 per cent), followed by ethics (13.8 per cent) and the environment (12.3 per cent). Articles employing a TBL reasoning, such as analysing the phenomenon of sustainable entrepreneurship, only recently seemed to have gained momentum (see appendix 3 for the results in detail). Over the whole period, 41 theoretical articles (32 per cent) have been published, 89 of the articles (68 per cent) are of an empirical nature. When looking at the distribution of empirical articles, it is noticeable that there is a slight dominance of qualitative work. Over the whole period, 39 qualitative articles (45 per cent) have been published, whereas the amount of quantitative articles accounts for 34 (40 per cent). The rest of the articles have applied a mixture of quantitative and qualitative approaches. The dominance of theoretical and qualitative empirical studies in international research has been recently supported by Vázquez-Carrasco & López-Pérez (2013, p. 3210). However, in a similar study, the findings of Rabbe & Schulz (2011b, p. 411) indicate that there is a stark predominance of empirical work over theoretical work, whereas they identified a balance between qualitative and quantitative approaches. Elsewhere (Volery & Gundolf, 2008, p. 72), there is evidence that German small business and entrepreneurship research overwhelmingly make use of quantitative research approaches, which also seems to be the case with German research on sustainability and responsibility in small businesses (Walther et al., 2010, p. 91). Additionally, the data indicate that the German context is only rarely represented in international small business and entrepreneurship research as can be seen in appendix 5. Furthermore, there is a considerable neglect of the specific characteristics of small businesses with re-

gard to the industry and other attributes that the majority of the articles do not seem to explicitly examine narrowly defined phenomena within the small business context.

The aspects mentioned above affect the research design adopted in this thesis. There generally tends to be a lack of research on sustainability in small businesses addressing the German context in the international scholarly discourse. Moreover, it is indicated that qualitative work is established in international sustainability small businesses and entrepreneurship research whereas a considerable lack of interpretive, qualitative research on the phenomenon in Germany could be identified. This lack will have to be validated against a broader set of German literature (see section 3.3.6). Hitherto, it can be concluded that the systematic review indeed indicates the usefulness of an in-depth examination of a sample of German SME manufacturing firms in a certain contextual sphere.

The following discussion is based on a broader selection of articles, from various journals and books, and, thus, provides a comprehensive, detailed discussion on the state of knowledge in the field.

3.3 Part Two: Synthesis of Identified Themes Related to this Research

Significant differences between SMEs and large firms were discussed in this thesis earlier in order to substantiate why SMEs are worth being a research subject in the context of sustainability and responsibility. Given the specific characteristics, scholars have urgently proposed to intensify research in this domain (Longenecker, McKinney & Moore, 1989, pp. 27 and 31; Thompson & Smith, 1991, p. 39; Quinn, 1997, pp. 119-121). It is widely accepted that theories and concepts developed in the context of large firms can only be transferred, if at all, in a limited manner to SMEs. This would make it indispensable to research and develop distinct theories in the context of SMEs with regard to sustainability (Jenkins, 2004; Spence, 1999, 2007, 2014). This tailored perspective has not been left undisputed. Blombäck & Wigren (2009, pp. 264-265) criticise using size as the sole variable, in order to generate two separate research streams—one focussing on responsibility of large firms and the other on responsibility of SMEs. They further state that ‘it is necessary to adopt the same theoretical perspectives in both, large and small firms’ (Blombäck & Wigren,

2009, p. 256). They finally conclude that ‘we can still learn more about CSR from asking why and what’ (Blombäck & Wigren, 2009, p. 265). The latter is undoubtedly correct, but it is also advisable to carefully consider the context of the analysed firms. There is a variety of factors which could influence a company’s responsibility approach. However, it is important to acknowledge that size could be an important factor (Gallo & Christensen, 2011, pp. 336-337; Lepoutre & Heene, 2006, p. 267; Udayasankar, 2008, p. 172) and that SMEs, indeed, show some very specific characteristics (Spence, 1999, pp. 164-166) that also tend to be independent from a pure size perspective, such as the influence of an OM. Thus, if the aim is to understand the ‘why and what questions’, we need to examine the small pieces of the large field which may consist of very heterogeneous firms. Hence, from the point of the researcher, there is nothing reprehensible to build a research stream that aims at developing theories and concepts tailored to the societal responsibility of SMEs.

Enderle (2004, p. 56) argues that SMEs suffer severe lack of constraints and strong global competition, which may lead to the assumption that they must first fight for their survival. Nevertheless, there are spaces of freedom to engage in responsibility issues towards the society. Enderle (2004, p. 52) further states that ‘the bigger the space of freedom, the bigger the responsibility’. This argument implies that the intensity of engagement might vary between firms and industries. However, it has to be stated that the literature is divided as there are indications of SMEs being less interested in ethical or responsibility issues (Hillary 2000, p. 18). However, Sarbutts (2003, p. 346) notes that SMEs’ flatter hierarchies, flexibility, the absence of pressure by external analysts may support that SMEs can engage in sustainability and responsibility (see also Jenkins, 2009, pp. 29-30; Wieland, Schmiedeknecht & Heck, 2009, p. 75) and Weltzien Hoivik & Melé (2009, p. 561) indicate that there, indeed, are spaces of freedom for SMEs to engage in sustainability and responsibility.

The review of the literature revealed a number of themes which will be discussed in the following sections. International and German research results will mostly be discussed in separate sections and partly compared where necessary and useful.

3.3.1 Awareness and Motivation

Spence & Rutherford (2003, p. 1) argue that SMEs are predominantly managed by their owners. Consequently, ownership and management are not as separated as they are in large corporations. This might indicate that the rejection of social responsibilities, as a waste of properties of shareholders, by Friedman (1970) is not necessarily an issue in SMEs. This further indicates the importance of the attitudes and beliefs of OM's in the decision-making process (Hatak, Floh, & Zauner, 2015, p. 296; Kusiak & Lozano, 2007, p. 506; Murillo & Lozano, 2006, p. 233; Weltzien Hoivik & Melé, 2009, p. 560; Williams & Schaefer, 2013, p. 182). This point is also acknowledged by Bürgi (2010, p. 149), who says that 'SMEs are centred on the personality of the owner-manager/entrepreneur'; rather than following a systematic and strategic approach, 'their leadership and decisions [are] often based on qualitative and impulse reactions'.

The following sections will focus on the awareness of OM's of sustainability issues and the motivation for engagement.

3.3.1.1 *Awareness of Sustainability and Responsibility Issues*

Literature is divided over the consciousness of SME OM's regarding social or environmental challenges (Tilley, 2000, p. 33). For instance, Hillary (2000, p. 18) and Tilley, Hooper & Walley (2003, pp. 76-77) draw a dark picture of the environmental consciousness and engagement of SMEs, generalising for the whole SME sector. They characterise the sector as:

- Unaware and largely ignorant of its environmental impacts and the legislation that governs it
- Oblivious to the importance of sustainability, and a gap between attitudes and subsequent behaviour
- Cynical of the benefits of self-regulation and the management tools that could assist it in tackling its environmental performance
- Difficult to reach, mobilise or engage in any improvements to do with the environment and
- Limited access to resources and appropriate management techniques

However, the findings of Longenecker, Moore, Petty, Palich & McKinney (2006, p. 178) indicate that there are no general conclusions that owners or managers of SMEs act more or less ethically than executives of large corporations. Burton & Goldsby (2009, pp. 99-100) who studied small business owners conclude that it is very likely that they ‘translate their attitudes into behavior fairly directly’. Therefore, according to them, it is quite evident that OM s who are pursuing mostly financial goals consequently focus on economic stakeholders and profit-oriented goals, whereas those who recognise the importance of non-economic issues also include them in their calculus. Surprisingly, De Clercq & Dakhli (2009, p. 484) found a negative relationship between educational level and ethical standards, which could not be expected by common sense.

Burton & Goldsby (2009) nevertheless raise an interesting point, as other studies have found contradicting evidence with regard to environmental aspects. For instance, when looking at environmental protection, there is a gap between awareness and translating it into concrete, proactive environmentally friendly conduct (Gadenne, Kennedy, & McKeiver, 2009, p. 60; Tilley, 2000, pp. 35-36). The reasons for that are uncertainty, limited knowledge, economic pressure and scepticism towards self-regulation (Tilley, 1999, pp. 240-242, 2000, pp. 35-36). However, this gap seems to have decreased as indicated by the results of Revell, Stokes and Chen (2010, p. 279) recently.

Spence, Jeurissen & Rutherford (2000) have comparatively examined the environmental awareness in the UK and the Netherlands, and found considerable differences (see also Uhlaner, Berent-Braun, Jeurissen & Wit, 2012, p. 424). Hence, this research illustrates the importance of contextual factors, such as different countries, culture, language (see also Fassin et al., 2015, pp. 450-451; Schlierer et al., 2012, pp. 46-48) and, from the point of the researcher, consequently, regional peculiarities.

Elsewhere, it is strongly emphasised that SMEs are indeed taking into account responsibility issues (Gelbmann & Baumgartner 2012, p. 286; Schneider 2012, p. 584). Battisti & Perry (2011), who have focussed on environmental sustainability in SMEs in New Zealand, draw a much more positive picture as they conclude that practices in SMEs have been underestimated. Furthermore, they indeed confirm the

above-mentioned results of Burton & Goldsby (2009) and show that ‘the practices pursued by the small-business owners are consistent with their understanding of environmental responsibility’ (Battisti & Perry, 2011, p. 182). More generally, manufacturing firms seem to be more active in improving their environmental performance, though this is driven by the fact that the sector is more energy- and resource-intensive than other SME sectors (Bradford & Fraser, 2008, p. 167). Hence, financial benefits rather than ethical consciousness is the motivating driver.

The literature review has, so far, indicated a mixed picture. While some studies found a lack of responsibility, others found evidence of OM's translating their awareness into practice. This translation is determined by the beliefs of the (owner)-manager as well as the area, which will be addressed, such as the natural environment or social issues in the (local) community or employees.

3.3.1.2 Motivations to Engage in Sustainability and Responsibility

Engagement in sustainability and responsibility can happen through different approaches and for different motives (Wikström, 2010, pp. 104-106), and the literature refers to various typologies (Luijk & Vlaming, 2010, p. 280; Spence & Rutherford, 2001, p. 131), usually distinguishing between some kind of economic, compliance or altruistic orientation. According to Spence & Rutherford (2001, pp. 131-134), the behaviour of OM's can be very roughly classified along four groups: profit maximisation (profit maximisation, socially inactive); subsistence priority (profit satisfying, socially inactive); enlightened self-interest (profit maximising, socially active); and social priority (profit satisfying, socially active).

The review of relevant literature has found several studies that discuss the motivational aspects behind companies engaging in sustainability activities. For instance, it is argued that SMEs engage in sustainability not to increase income, but because of an intrinsic motivation, since ‘it is the correct, ethical or normal thing to do’ (Morsing, 2006, as cited in Fitjar, 2011, p. 34; see also Evans & Sawyer, 2010, pp. 439-440; Jenkins, 2006, p. 251; Longo, Mura & Bonoli, 2005, p. 37). Spence & Rutherford (2001, p. 135) confirm this as they found that according to their conceptualisation of motives, the groups’ subsistence and social priority are prevalent and not profit-driven calculi. The results discussed above can certainly serve as an

indication that there might be SMEs which are responsibly engaged for ethical reasons. However, the results should be interpreted with caution as some of the studies rely on samples which consist of ‘good practice’ exemplars. Furthermore, it is reasonable to assume that companies with a positive attitude towards responsibility are more willing to participate in studies like the ones mentioned.

Contrary to above, Iturrioz, Aragón, Narbaiza & Ibañez (2009, p. 429) came up with contrasting results for a sample of Spanish SMEs as their study indicates that the majority of firms is driven by compliance (71 per cent) and economic considerations (66 per cent) rather than by ethical (54 per cent) and philanthropic (15 per cent) motivation. In a similar vein, the results of Bos-Brouwers (2010, p. 428) indicate that the majority of firms is driven either by eco-efficiency, striving for cost effectiveness or value creation, which involves the recognition of business opportunities. The rest of their sample firms can be characterised as compliance-driven. Indeed, there is considerable evidence that the engagement of SMEs is underpinned by an economic rationale such as an improvement in reputation (Bevan & Yung, 2015, p. 305; Fraj-Andrés, López-Pérez, Melero-Polo & Vázquez-Carrasco, 2012, p. 276; Lee et al., 2015, no page; Murillo & Vallentin, 2012, p. 27; Revell et al., 2010, p. 281; Santos, 2011, p. 494; Sen & Cowley, 2013, p. 421). The above discussion also implies that the point of socially desirable participation and answering is a point that necessarily has to be taken into account during the empirical work of this research.

It is sometimes argued that legislative pressure is useful, in order to change behaviour, as then a firm will respond to the initiatives and comply with the new rules (Bürge, 2010, p. 151; Lynch-Wood, Williamson & Jenkins, 2009, p. 61; Williamson, Lynch-Wood & Ramsay, 2006, p. 326). However, Tilley (2000, p. 36) found in her study that many OMs seem to be quite unaware of what is required from them with regard to their regulatory obligations and, at the same time, think their activities are not significant enough for regulatory control (see also Lynch-Wood & Williamson, 2014, pp. 473-474). Previous research also indicates that SMEs are aware of the fact that regulation alone might be insufficient to effectively address environmental problems (Cassells & Lewis, 2011, p. 198; Lewis, Cassells & Roxas, 2014, no page; Petts, Herd, Gerrard & Horne, 1999, p. 22). Enforcement of legal regulations is then

obviously an important issue (Tilley, 2000, p. 36; Wilson, Williams & Kemp, 2012, pp. 149-150), but may vary from country to country.

Goetz (2010, p. 1051) discusses the usefulness of incentive programmes to increase the environmental performance of SMEs. By doing so, she emphasises that one has to offer something, such as technical assistance, to small business owners, in order to increase the environmental performance of their firms. Solely enhancing regulatory pressure could, due to the specific constraints of SMEs, likely result in non-compliant behaviour as also indicated by Tilley (2000, p. 36). Moreover, Hamann, Smith, Tashman & Marshall (2015, p. 21) argue that regulation does not have a meaningful impact on pro-environmental behaviour since SMEs tend to be reluctant towards regulative bureaucratic conditions.

The literature review has revealed a potential gap between awareness and the measures adopted in the daily operations of the firm. It would perhaps be inappropriate to believe that OM's intentionally harm the environment (Goetz, 2010, p. 1051). Therefore, the results could simply indicate that the scope for responsible behaviour might be too small. However, there are studies which support the argument that SMEs are engaged in sustainability and responsibility activities, because it is either the right thing to do or economically beneficial. Activities and practices will be discussed in section 3.3.4.

3.3.2 Understanding of Concepts

Previous research indicates that SME OM's are indeed aware of the terminological differences of the concepts used in the responsibility discourse, such as sustainability, CSR and business ethics (Fassin et al., 2015, pp. 449-450; Fassin, Rossem & Buelens, 2011, pp. 441-442), while Bevan & Yung (2015, p. 301) the contrary. Nevertheless, previous research also indicates that there is a considerable variety in how SMEs define and understand CSR (Fenwick, 2010, p. 164; Jenkins, 2006, p. 245; Sweeney, 2007, p. 518). Using the term 'corporate', as is done in the CSR concept, has caused some uneasiness (Jenkins, 2004, p. 40; Sweeney, 2007, pp. 518-519). For instance, the findings of Roberts, Lawson & Nicholls (2006, p. 280) indicate that SMEs do not tend to use the terminology of large firms though it was found that SMEs consider a number of sustainability issues. For Germany, Wieland et al.

(2009, p. 75) found that OMs are strongly sceptical towards the CSR terminology since it represents to them a new construct whose core ideas are traditionally part of their business model. The use of the term CSR as an Anglicism is refused by the vast majority of firms.

Therefore, many scholars have suggested alternative terms with a clearer focus on small businesses (Avram & Kühne, 2008, p. 465; Baden & Harwood, 2013, p. 620; Lepoutre & Heene, 2006, p. 257; Moore & Spence, 2006, p. 220). Contrary to that, Fitjar (2011, p. 31) prefers to use the term CSR as it implies comparability with the larger CSR debate. Nevertheless, it seems that many scholars follow this justification and use the term CSR (for example, Barthorpe, 2010; Jenkins, 2006; Tseng et al., 2010; Udayasankar 2008). As indicated earlier, this research prefers the term sustainability and responsibility (see section 2.4) and shall clearly be seen in the tradition of sustainability research rather than relying purely on the CSR concept, although both fields are increasingly intertwined, especially in more recent discussions.

With regard to the idea of implicit and explicit responsibility, Spence & Perrini (2010, pp. 38-39) state that ‘SMEs are less likely to adopt and develop explicit social responsibility strategies than their larger counterparts’. However, this does not necessarily mean that SMEs are not engaged in responsibility activities. Lepoutre and Heene (2006, p. 258) found evidence in the literature of SMEs being involved in social responsibility issues due to their very nature, but seemingly do not know that they are (see also Gelbmann & Baumgartner, 2012, p. 286; Hsu & Cheng, 2012, p. 301). Therefore, SMEs tend to implicitly act responsibly without using explicit CSR instruments, such as codes or reporting. This implicit understanding can certainly be best described as a silent approach, as it has been discussed earlier by Jenkins (2004, p. 52).

3.3.3 Management Approach and Implementation

There are indications of SMEs being involved in social and environmental activities. If this were the case, it is reasonable to assume then that SMEs have to adopt some kind of management approach. It has to be decided who is responsible for issues like these, the strategic approach required, the instruments that are needed to be used, the

decision-making process and the actions that are required. Much has been written on these issues, mostly in the context of large firms. However, it is unlikely that SMEs will make use of the same management approach as large firms (for example, Graafland, Ven, & Stoffele, 2003; Perrini, Russo, & Tencati, 2007; Russo & Tencati, 2009; Sweeney, 2007) as, for instance, Lepoutre & Heene (2006, p. 268) conclude that SMEs ‘will experience more difficulties than their larger counterparts when engaging in socially responsible action’, such as a very limited capability to shoulder losses (Russo & Tencati, 2009, p. 349). The following sections will firstly address the nature of management approaches and later the aspects of strategy.

3.3.3.1 Formal and Informal Approach

The results of Sweeney (2007, p. 519) indicate that sustainability and responsibility tend to be seen as an ad hoc and informal issue in SMEs (see also Bevan & Yung, 2015, p. 302; Lee et al., 2015, no page; Santos, 2011, p. 494), whereas the management approach of large firms is structured and formal. It was further found that within SMEs mostly an OM or a senior manager is in charge of sustainability and responsibility issues (Jenkins, 2006, p. 251).

Elsewhere (Preuss & Perschke, 2010, pp. 533-534), it is noted that medium-sized firms are different from both large and small firms (see also Brammer, Hojmosse, & Marchant, 2012, p. 428; Lamberti & Noci, 2012, pp. 412-413; Perrini & Minoja, 2008, pp. 58-59). Literature indicates that differences exist between micro and large firms. With regard to micro firms, a very low degree of formalisation of the engagement and a lack of explicit management systems could be identified. As this implies that CSR is based on the morals and personal views of the OM, it is not surprising that responsible behaviour is directed towards specific stakeholder groups which seem legitimate to be addressed. In comparison to micro firms, SMEs tend to make their CSR engagement more explicit through specific activities and tools. Compared to medium-sized firms, small businesses, however, are more influenced by the personality of the OM (Perrini et al., 2007, p. 293; Russo & Tencati, 2009, pp. 346-347).

With regard to management instruments, the results of Graafland et al. (2003, pp. 52-53) nevertheless indicate substantial differences between SMEs and large firms.

Formal instruments like social handbook, confidential person, ISO certifications, codes of conduct, reports and a member of the board answerable for ethical issues are instruments frequently used in larger firms. SMEs tend to use a member of the board, confidential people and social handbook to a considerably lower extent than larger firms. The nature of the prevalent instruments in SMEs also indicates a rather informal approach. Moreover, Graafland et al. (2003, p. 53) identify four reasons which could serve as an explanation for these differences:

- Large firms are more visible to the public
- A larger scale may make it easier to carry the costs of implementation
- A larger scale may indicate a greater need for instruments to internally and externally communicate the values and norms
- Stronger competitiveness on the output market for smaller firms

Jenkins (2006, pp. 247-248) found that approaches of firms reached from purely ad hoc to the development of strategic approaches. Formal approaches were most common in environmental management systems and staff development, community activities were conducted on an ad hoc basis. Among different industries, manufacturing and engineering were more involved strategically in environmental issues, whereas service firms tended to have social programmes. However, overall the literature indicates considerable scepticism towards formal approaches. Spence & Lozano (2000, pp. 50-51) point out that their data did not reveal that formal instruments are in use in small firms due to the rejecting attitude towards bureaucracy and externally imposed procedures. They conclude that formal instruments may be inappropriate for SMEs (see also Fassin, 2008, p. 367; Spence et al., 2003, p. 19; Spence, 1999, p. 166). In particular, Fassin (2008, p. 374) critiques the overemphasis of external reporting and formalisation of CSR in SMEs since they do not allow judging the effectiveness and superiority of ethical behaviour in such firms. This is, from the perspective of the researcher, an important point that should be acknowledged in scholarly research.

McKeiver & Gadenne (2005, p. 514) explicitly consider the categories formal and informal management systems in their analysis of environmental management systems. As no definition exists for informal environmental management systems in the

literature, they used an explanation referring to corresponding environmental practices. The results of the study also indicate the predominance of informal management systems with regard to environmental issues (27.1 per cent) over formal management systems (11.4 per cent). The remainder does not use any management system (McKeiver & Gadenne, 2005, p. 522). The results of Bevan & Yung (2015, p. 302) indicate that none of their sample firms applied a formal system, but almost a third makes use of an informal one. The explicit recognition of an ‘informal management system’ can be seen as a useful approach which accounts for the specific characteristics of SMEs.

Elsewhere, scholars argue for a more systematic and formal management, and reporting approach also in the context of SMEs (Arena & Azzone, 2012, p. 682; Perrini & Tencati, 2006, p. 298; Russo & Perrini, 2010, p. 215; Tencati, Perrini & Pogutz, 2004, p. 184). Russo & Perrini (2010, p. 215), for instance, specifically state that ‘SMEs need to implement formalised processes that integrate responsible strategies into the corporate strategies’. Hahn (2013, p. 451) concludes that ISO 26000 should be principally applicable to SMEs. Tencati et al. (2004, p. 184) propose that SMEs should define and apply a set of at least 20 indicators, covering essential stakeholder categories. About implementation, the literature suggests a stepwise measure as the more applicable approach for SMEs (Burke & Gaughran, 2007, p. 701; Fresner & Engelhardt, 2004, p. 630; Jenkins, 2009, p. 32).

It could further also be the case that a certain formalisation and certification is required by external stakeholders, such as, for instance, when the firm is part of the supply chain of a larger organisation (Bürgi 2010, p. 153). Preuss & Perschke (2010) conducted a case study research into a medium-sized fashion retailer in the UK and found that a formal approach towards responsibility was ruled out in the organisational structure due to a lack of formal expertise (Preuss & Perschke, 2010, p. 541). However, Preuss & Perschke (2010, p. 546) also note that the studied firm is in a kind of a transition phase, growing from a small firm to a large one. There are indications of an early emergence of a more strategic and formalised approach, which is seen as a logical evolutionary process the larger a firm becomes.

Some companies opting for a more formalised approach may already be using existing management systems, such as quality management systems (for example, ISO 9001), and using them in their sustainability and responsibility activities (Bürge, 2010, pp. 153-156; Castka et al., 2004, p. 144). This has been done, for instance, by a case study firm examined by Castka et al. (2004, pp. 144-145), which enhanced its focus on customers and market needs towards a broader consideration and evaluation of stakeholders. Furthermore, Perrini & Minoja (2008, p. 59) conclude that two aspects have turned out to be important with regard to a more strategic and professional approach. First, the formalisation of the owner's personal values and, second, the separation of ownership and management. While the former seems rather uncritical, it has to be stated that the latter issue may inherently cause problems as the firm is in many cases the point of focus for its owners, who often act as OM's (Jenkins, 2004, p. 41; Lepoutre & Heene, 2006, p. 263).

The literature indicates that there are firms which make intensive use of formal management systems. For instance, Perrini & Minoja (2008, pp. 58-59) studied a firm which applied a variety of formal management systems and codifications, such as ISO 9001, ISO 14001 and SA 8000, among others. The results of Graafland et al. (2003, pp. 53-54) indicate that once a firm has started to use a formal management instrument, it is more inclined to implement a combination of different instruments. Taking into account the characteristics of the average SME, it seems unlikely that they can or are willing to apply formal management systems in the above-discussed intensity, and one can, thus, assume that there is a strong prevalence of informal approaches in many SMEs. Moreover, Jenkins (2009, p. 34) states that a strategic approach towards CSR is adopted by only a small number of firms. Aspects in relation to strategic issues will be discussed in the following section.

3.3.3.2 Strategy

Porter & Kramer (2006, p. 83) have stressed the importance of a strategic approach towards CSR. A CSR engagement unrelated to a firm's core business or not a part of its overall strategy is unlikely to result in either a meaningful social impact or an improvement in competitiveness. It is a common theme in the literature that activities of SMEs tend to be less carefully planned and strategic, and more focussed on short-term issues, due to the multi-tasking and the fire-fighting management ap-

proach (Avram & Kühne, 2008, p. 468; Jenkins, 2004, p. 44; Spence, 1999, pp. 164-165). The discussion of Lepoutre & Heene (2006, p. 264) indicates, however, that an integration of sustainability and responsibility in the overall strategy of the firm may lead to the view that it is not any more understood as an ‘ad-on’ but rather as an integral part of the business and, hence, may not be perceived as an additional cost position. Graafland et al. (2003, pp. 46-47) refer to three basic types of strategy, which can be complementary in reality:

- Compliance strategy: The focus here is on developing concrete standards of behaviour, which reflects what is minimally required from the firm. Supervision and punishment guarantees that these standards are abided
- Integrity strategy: The focus of this strategy lies on the own responsibility and integrity of the individual manager and employee. By fulfilling the tasks, the firm considers all relevant interests, in order to ensure a responsible way of doing business. A prerequisite for this is to define core values, and train managers and employees according to them
- Dialogue strategy: This strategy is based on communication with stakeholders. Thus, it considers the expectations of stakeholders as well as the responsiveness towards their ideas, views, interests and values

Moreover, Graafland et al. (2003, pp. 51-52) found that many SMEs use a dialogue strategy (37 per cent), 19 per cent apply an integrity strategy and seven per cent follow the compliance strategy. About 37 per cent of SMEs do not apply any of the aforementioned strategies in contrast to only 13 per cent of their larger peers. This could lead to the assumption that a strategic approach is related to the size of a firm. This is, for instance, supported by a study by Iturrioz et al. (2010, p. 241), who found that the strategic alignment of CSR engagement is related to firm size. This could be explained with resource restrictions and the potential to implement specialised management functions. Accordingly, it would be reasonable to assume that there only is a limited integration of sustainability and responsibility and, if at all, then in larger SMEs.

After having discussed the main themes in the literature with regard to management approaches and strategy, the next section focuses on concrete practices and the foci of SMEs.

3.3.4 Areas of Concern and Practices

Perrini et al. (2007, pp. 293-296) refer to the main categories —environmental management, employment, supply chain and (local) community—relevant to this research. SME practices will be discussed according to the systematisation. The results of Sweeney (2007, p. 519) indicate that the volume of practices is positively correlated to firm size, and that larger firms tend to be involved in a wider range of practices than SMEs. SMEs, however, find it difficult to articulate their sustainability and responsibility engagement as they are unaware of their involvement in many CSR-related practices (see also Hebllich & Gold, 2010, p. 350; Lepoutre & Heene, 2006, p. 258).

3.3.4.1 *Natural Environment*

The literature indeed indicates that SMEs are involved in a variety of environmental practices (for example, Battisti & Perry, 2011; Bos-Brouwers, 2010; Cassells & Lewis, 2011; Williams & Schaefer, 2013). Hoogendoorn, Guerra & Zwan (2015, p. 775) find that the vast majority of firms (91 per cent) is engaged in improving processes to reduce the environmental impact and almost one third offers green products or services.

According to Evans & Sawyer (2010, pp. 444-445), SMEs are involved in a number of practices—such as recycling, waste and energy reduction—but the results indicate that the issues do not seem to be managed either systematically or strategically. Furthermore, Cassells & Lewis (2011, pp. 190-192) found that most firms are of the opinion that their waste is impacting the environment (85.8 per cent), 50 per cent of the respondents refers to transportation and about one-third identifies the production process as mostly affecting the environment. When looking at individual practices it was found that practices like reducing fuel costs, optimising the distribution network, reducing emissions and energy usage are most frequently named in relation to operational practices. Waste management practices are mainly subsumed under treating hazardous waste appropriately, having a recycling programme and minimis-

ing packaging using reusable packaging. Whether these practices are primarily for environmental purposes or conducted for business purposes is questionable since most environmental practices undertaken by firms also imply a reduction in costs. Size seems to be an important explanatory factor for the adoption of formal management systems as the majority of firms is not making use of such instruments (Cassells & Lewis, 2011, pp. 191-193). Here, it would be interesting to know, whether size really is such a dominant factor, and this point will have to be addressed in detail during the fieldwork.

Bos-Brouwers (2010, pp. 424-425) indicates that firms show an above compliance engagement in environmental issues. However, activities are also characterised by a low degree of formalisation. Most common environmental practices are the separation of waste, recycling, putting in place an environmental policy, working on energy saving projects and reducing packaging materials. Contrary to the aforementioned study, transportation does not seem to be an important issue. The results of Holland & Gibbon (1997, pp. 11-12) indicate that the industry influences the practices undertaken. Manufacturing firms are, for instance, more likely to engage in recycling and reusing of materials than the construction sector (see also Simpson, Taylor & Barker, 2004, p. 166).

Bürgi (2010, p. 164) supports the assumption that many companies feel responsible towards the environment (see also Dincer & Dincer, 2013, p. 182). Moreover, according to Bürgi (2010), SMEs not only comply with the law, but many of them also engage in improving their environmental performance exceeding the legal requirements. This is true for even companies without a formal environmental management system. It is further stated that almost half of the firms have integrated environmental issues with their business strategy. However, Lynch-Wood & Williamson (2014, p. 473) found the predominance of a compliance approach for the vast majority of SMEs in their sample.

The literature review indicates that practices related to economic issues, such as lower costs and higher efficiency, dominate. It is further questionable whether the postulate of an economic advantageousness is sufficient to achieve a considerable improvement of the environmental (and social) performance of SMEs and if such a

line of arguments is preferable. The so-called win-win situation might be effective to attract firms to take the first steps towards engaging in socially responsible activities. However, a firm will not address problems that do not provide an adequate economic return. Hence, there is also a no win-win situation for the firm and the society (see also Tilley, 2000, pp. 38-39). Moreover, approaches tend to be informal, individual practices do not tend to be integrated with the firm's strategy.

3.3.4.2 Employees

With regard to the second category, employment, the overall conclusion is that SMEs indeed are concerned about the wellbeing of their employees (Murillo & Lozano, 2006, pp. 232-233; Nielsen & Thomsen, 2009b, p. 88; Nielsen & Thomsen, 2009a, p. 181; Preuss & Perschke, 2010, p. 541; Spence & Lozano, 2000, p. 48). Evans & Sawyer (2010, p. 442) support that there is a strong relationship with staff in SMEs, characterised by openness, and relaxed and conversational discussions. Generating a positive and good working atmosphere tends to be seen as an important issue.

Perrini et al. (2007, p. 294) point out that management in SMEs tends to have a higher degree of personal involvement with employees. Additionally, Spence (2004, p. 121) notes that, 'It is employees to whom the OM has to be answerable on a day-to-day, indeed face-to-face, basis'. This involvement is informal in its nature in comparison to formal tools, such as an intranet. OMs mostly make use of meetings and briefings. All this illustrates the very personal and close relationships in SMEs. Furthermore, SMEs support training programmes for employees, and allow them flexible working hours (Perrini et al., 2007, p. 294).

However, Jenkins (2006, pp. 247-248) found in contrast that a considerable amount of firms use structured approaches, such as the Investors in People standard (15 out of 24 SMEs). Other regular practices are flat management structures, good work-life balance, family friendly employment, newsletters, social events, community projects in developing countries, training programmes, employment of older and disabled people, and mentoring for employees. However, it has to be taken into account that the sample consists of firms which are strongly involved in CSR issues and may not represent the 'typical' SME. Firms nevertheless tend to be engaged in a variety of

practices such as staff training, health and safety issues, flexible working time arrangements, being a family friendly firm, home office options or more generally improving employee satisfaction. There seems to be a stark predominance of practices related to professional training and development of staff (Bos-Brouwers, 2010, p. 426; Evans & Sawyer, 2010, p. 442; Lawrence, Collins, Pavlovich & Arunachalam, 2006, p. 248; Longo et al., 2005, p. 35). The strong focus on training issues certainly also reflects the objective to improve the competitive situation of the firm, as knowhow and skilled staff are often seen as a shortage in SMEs. Contrary to the economic rationale above, Lähdesmäki (2012, pp. 173-174) constructs an altruistic type of OM showing a high intrinsic desire to ensure the well-being of employees and their families.

It is also indicated that SMEs could make use of more structured rules, which could increase the attractiveness of SMEs to external stakeholders; for example, potential future employees (Perrini et al., 2007, p. 294). Besides this issue, a more structured approach could also support ensuring fairness, this means ensuring that employees are treated equally, their performance assessed on objective indicators rather than on the personal relationship to the OM. Thus, externally communicating the good working situation could also be a useful strategy attracting good skilled staff. However, there are indications in the literature that activities of SMEs are not motivated by reputational considerations (Granerud, 2011, p. 119).

As a concluding remark, one can argue that the relevant literature indicates that SMEs are involved in a variety of activities. It is important to note that the remarks with regard to an autocratic management style and poor working situation in parts of the SME sector by Goffee & Scase (1995, pp. 17-18) could not be supported by the results of the reviewed studies. However, it has to be taken into account that only studies with regard to sustainable development, CSR and similar have been reviewed which may implicate that only firms showing a certain engagement take part in these sorts of studies. Whether these results hold true for SMEs generally is, hence, at least a point, which has to be critically addressed.

3.3.4.3 *Suppliers and Customers*

Another issue that might potentially influence on the sustainability and responsibility engagement of SMEs are relationships in the supply chain. However, Pedersen (2009, p. 113) notes that SMEs often seem to have limited power, reducing the possibility of exercising control through the supply chain. If there are no market participants offering sustainable resources, an SME cannot on its own change the situation (see also Ayuso, Roca & Colomé, 2013, p. 504; Lepoutre & Heene, 2006, p. 265). Perrini et al. (2007, pp. 294) nevertheless argue that firms which have already incorporated responsibility issues in their strategy and decision-making processes, should also encourage positive conduct towards social and environmental issues by their partners, such as suppliers and customers. An interesting point that deserves closer attention might, thus, be whether firms can convince their partners to consider responsibility issues. Russo & Tencati (2009, p. 348) point out that supply chain management is more common in medium-sized firms than in their smaller peers due to a higher capacity to extend their practices along the supply chain (see also Pedersen, 2009, p. 113).

While Perrini et al. (2007, p. 294) indicate that SMEs generally show a positive attitude towards managing environmental and social issues along the supply chain, Pedersen, (2009, p. 113) found the contrary. Nevertheless, Ciliberti, Pontrandolfo & Scozzi (2008, p. 1585) show that some firms indeed select suppliers on the basis of CSR criteria, even though these issues are subordinated to other criteria like economic or product quality issues. Nevertheless, an important issue for SMEs is building and ensuring longstanding relationships with suppliers, sometimes over generations (Ciliberti et al., 2008, p. 1585; Uhlaner, Goor-Balk, & Masurel, 2004, p. 190) and, therewith, also developing trustful relationships.

Ciliberti et al. (2008, pp. 1585-1586) note that management standards (such as SA 8000, ISO 14001) seem to be common. In order to ensure that suppliers can fulfil the requirements, firms adopt a mixture of a compliance and capacity building approach (see also Longo et al., 2005, p. 35). Capacity building is supported by means of information and communication activities, training initiatives and plant visits. With regard to ensuring compliance, it is noticeable that supplier performance is regularly monitored by direct or third party audits. Gathering reliable information is

seen as a critical issue as there tends to be no full transparency of the internal processes of suppliers. Moreover, non-compliance with rather uncritical issues (such as health and safety or environmental issues) does not necessarily result in strong sanctions, whereas violations, such as child or forced labour are dealt with very strictly. Jenkins (2006, p. 248) has identified several practices, which are undertaken by SMEs:

- Open house policy for customers, suppliers and competitors
- Developing long-term partnerships with customers and suppliers
- Supplier learning schemes
- Measuring key performance indicators and providing feedback to staff, customers and suppliers
- Supporting and encouraging suppliers to become more socially responsible
- Taking part in industry best practice programmes

Firms make overwhelming use of after-sales support and claims management to build a relationship with customers (Santos, 2011, p. 494). SMEs do not only act as buyers in the supply chain but also as suppliers for large firms frequently. As these larger firms in many cases have implemented formalised management systems and standards, they require their suppliers to provide evidence of complying with certain environmental or social standards, such as certifications. Supply chain pressure, thus, might be a considerable source of improvement in the environmental and social performance of SMEs (Ciliberti, Pontrandolfo & Scozzi, 2010, p. 303; Fernández & Camacho, 2015, no page; Lee, 2008, p. 193). Here, it seems that buyer pressure on environmental issues is more commonly accepted than on social ones (Baden, Harwood & Woodward, 2009, p. 436).

However, this might also imply that SMEs have to fulfil certain formal standards and requirements, which often may not be in line with the nature of how SMEs are managed (Baden, Harwood & Woodward, 2011, p. 273; Fassin, 2008, p. 370). It is, thus, questionable whether large customers can be seen as a supportive factor in convincing SMEs to act more responsibly. For instance, Baden et al. (2011, pp. 268 and 270) indicate that complying with standards of large customers might result in

tokenism and a box-ticking exercise (see also Baden et al., 2009, p. 435). However, as indicated by Ciliberti, Groot, Haan & Pontrandolfo (2009, p. 125), systematic instruments, like certifications, could reduce information asymmetry and, thus, contribute to transparency. This seems to be the case especially in the light of the findings of Lynch-Wood & Williamson (2014, p. 474), who indicate that there is very limited environmental dialogue between SMEs and customers, but this might be more relevant when sourcing from developing countries in which transparency is a bigger problem compared to developed nations (Ciliberti et al., 2010, p. 303; Knudsen, 2013, p. 395). Moreover, the findings of Hoogendoorn et al. (2015, p. 775) suggest that SMEs that serve consumers are more likely to offer green products and services, while more general customers do only have a limited influence on greening internal processes.

From the point of the researcher, customers undoubtedly are of enormous importance to business firms. However, building a trustful relationship with them should be part of doing orderly business and not be seen as a specific responsibility issue. Of great interest, however, would be to learn more on whether and how SMEs translate their moral values and responsibility practices to customers or suppliers.

3.3.4.4 Local Community

It is a common theme in the literature that SMEs are embedded in their local community (Jenkins, 2004, p. 41; Lepoutre & Heene, 2006, p. 258; Perrini, 2006, p. 309; Spence, 1999, p. 164; Spence, 2007, p. 537; Tencati et al., 2004, p. 174) although the degree of embeddedness may vary (Lähdesmäki & Suutari, 2012, pp. 485-489). However, there is also a line of arguments that sees SME OMs narrowly focussing on their own business activities, seeking independence and autonomy and, thus, rather as an isolated fortress (Curran & Blackburn, 1994, p. 113; Spence, 1999, p. 164).

Tencati et al. (2004, p. 174) point out that the prosperity of SMEs is regularly based on the capability to achieve legitimacy from local stakeholders (such as employees, public authorities, banks, suppliers and citizens), by means of informal and tacit realitionships with members of the local community. So, having a good reputation within this community would improve competitiveness and firms would obviously

interact with the local community, in order to be aligned to stakeholders' wishes and needs (Lepoutre & Heene, 2006, p. 258; Werner & Spence, 2004, p. 18). Lähdesmäki & Takala (2012, pp. 379-380) found marketing-driven as well as altruistic considerations to engage with the community.

This strong embeddedness is predominately placed in the context of SMEs as large firms tend to be concerned about global issues. However, it has to be noted that large firms might also be engaged with the local community (Blombäck & Wigren, 2009, p. 264; Perrini et al., 2007, p. 295). Moreover, many SMEs are facing global issues as they serve international markets or act as the source to international suppliers. While large firms have more resources to invest in their communities, SMEs tend to have more direct relationships with the community, and not necessarily financial contribution (Perrini et al., 2007, p. 295). Scholars discussing this embeddedness in communities and social networks, often refer to the concept of social capital (see section 2.3.2).

Russo & Perrini (2010, p. 208) argue that both, social capital and stakeholder theory, are useful concepts to examine the local community engagement of SMEs. Civic engagement, such as memberships in a local chamber of commerce or engagement in voluntary organisations (churches, sports clubs, etc.), also contributes to the development of social capital (Spence et al., 2003, p. 19; Werner & Spence, 2004, pp. 21-22). It is reasonable to assume that interactions between SMEs and the local community define what is expected from the firm in the context of environmental and social responsibility. This process is carried out jointly involving discussions, which result in collectively agreed-upon areas that require activities and those which do not (Fisher, Geenen, Jurcevic, McClintock & Davis, 2009, p. 70).

The literature indicates that the vast majority of firms is involved in community activities, supporting community clubs, schools, colleges or being active in trade associations. This engagement consists usually of in-kind support rather than donating cash (Bos-Brouwers, 2010, p. 427; Evans & Sawyer, 2010, pp. 443-444; Lawrence et al., 2006, p. 248; Southwell, 2004, p. 103). Spence et al. (2003, pp. 2124) found that a formal engagement in civic leadership (for example, local government) is rarely existent though some OMs were formally engaged in the sector or SME-specific

business organisations. However, firms have connections with other SMEs in the sector, including exchange of information, borrowing of equipment, recommendation and subcontracting. Finally, Jenkins (2006, p. 248) provides an overview on the practices and illustrates their variety:

- Working with local schools on projects (for example, children with learning difficulties)
- Donating a percentage of profits to charity
- Supporting local homeless people
- Sponsoring local sport teams
- Supporting award schemes for young people
- Employing people from the community
- Working on community projects in developing countries
- Offering work experience placements

Contributing to the community and being a part of it is seen as an important point, but could also be a problem as frequent requests become a burden, both economically and emotionally, when it is to decide which activities are supported (Evans & Sawyer, 2010, p. 444). Moreover, Vyakarnam et al. (1997, p. 1632) saw that it clearly mattered who the other person was and whether or not that individual had a positive attitude towards the other person. Thus, relational social capital plays an important role and it would be naïve to underestimate such personal behaviour when collaborating with community representatives.

In summary, studies report on a number of practices of SMEs and the only denominator is the variety of practices undertaken. Unfortunately, studies very rarely report on how the cooperation between the firm and the community is undertaken and how ultimately the firm decides which activities to carry out. A notable exception is the study of Fisher et al. (2009, p. 74). Consequently, addressing this gap during fieldwork seems to be worthwhile.

3.3.5 Drivers and Barriers

Some drivers and barriers, such as the motivation of OM's respectively their values and beliefs, pressure from (larger) customers or resource constraints, have been al-

ready addressed in the course of this chapter. These aspects are drawn together in this section and extended by further factors identified in the literature.

Moreover, Kusyk & Lozano (2007, pp. 505 and 513-515) provide an exhaustive list of drivers and barriers they identified from 80 drivers and 96 barriers for responsibility engagement by SMEs. Here, it can be said that OM's values is the most influential driver, but market forces (customers, supply chain pressure) and potential regulation also count (Fraj-Andrés et al., 2012, p. 276; Kusyk & Lozano, 2007, pp. 505-507). However, it also has to be said that drivers could also develop into barriers, such as cost cuts in the supply chain (Kusyk & Lozano, 2007, p. 506). Spence & Lozano (2000, p. 49) found that employees (62 per cent) likely have the strongest impact on OMs, followed by the law (61 per cent), customers (56 per cent), and family and friends (43 per cent). Trade associations, suppliers or banks and financiers have very limited influence. However, the overall internal pressure (such as from employees) as well as external forces have marginal influence on most SMEs (Lawrence et al., 2006, p. 249; Jenkins, 2006, p. 249).

Surprisingly, Sweeney (2007, p. 520) could not confirm most of the barriers discussed in the literature other than financial constraints which appears to be the most severe barrier (Lynch-Wood & Williamson, 2014, pp. 471-472). Moreover, Southwell (2004, p. 105) indicates that barriers could sometimes be a 'perceptual fear' rather than a real problem. Nevertheless, the literature refers to a number of barriers—such as financial constraints, knowledge, skills, time, limited power, disinterest of customers, bureaucracy or complexity—which then again equal cost and time restrictions (Evans & Sawyer, 2010, p. 440; Hsu & Cheng, 2012, p. 302; Lawrence et al., 2006, p. 249; Lepoutre & Heene, 2006, pp. 262-265; Longo et al., 2005, pp. 38-39; Lynch-Wood & Williamson, 2014, pp. 471-472; Southwell, 2004, p. 105), likely hindering the engagement of SMEs in sustainability and responsibility issues. Additionally, Roberts et al. (2006, pp. 281-283) refer to the point that the typical CSR terminology could be a major obstacle to the engagement of SMEs. Moreover, a lack of appropriate support services and business networks may hinder SMEs getting involved in responsibility. The following table provides an overview of the most important drivers and barriers, which have been identified in literature:

| Drivers | Barriers |
|--|--|
| Internal | |
| Values and beliefs of the OM | Lack of resources (time, knowhow, finance) |
| Organisational flexibility and decision making autonomy | Low awareness of the OM |
| Competitive improvement (efficiency, cost savings, productivity, quality) | Low understanding of the relevant terminology and lack of information to undertake practices properly |
| Personal relationships to employees ('internal pressure') | Bureaucracy |
| Personal attitudes towards individual stakeholders respectively representatives of the community | Lack of management skills |
| | Personal reservations against stakeholders or community representatives |
| External | |
| Legal regulation | Competitive nature of the industry |
| Supply chain pressures (customers) | Limited support services and business networks |
| Strong link to the community | Limited negotiation power to influence suppliers |
| | Lack of interest of customers that are not willing to reward such behaviour or supply chain cost cutting |

Table 8: Drivers and barriers of sustainability and responsibility engagement
(Source: own illustration, based on reviewed literature)

There may be a variety of drivers and barriers, but the literature offers relatively scant advice on what points are most influential. Overall, the beliefs of OMs and financial constraints seem to be the most important aspects. The aim of this research is not to develop an exhaustive list of drivers and barriers, but to identify the most relevant ones in the field.

3.3.6 Implications of German Research Results

A lack of research on sustainability and responsibility in SMEs appears particularly to be the case in the German context while an active research scene at a number of universities and research centres exists in the UK (Habisch, 2004, pp. 25-26; Klein & Vorbohle, 2010, p. 215). Furthermore, there still is a considerable interest in large

corporations as recent studies indicate (for example, Windolph, Harms & Schaltegger, 2014; Windolph, Schaltegger & Herzig, 2014). However, an increasing number of studies on SMEs, especially in the recent years (Rabbe & Schulz, 2011b, p. 409; Vázquez-Carrasco & López-Pérez, 2013, p. 3209), can be identified. From the point of the researcher, however, the state of knowledge has to be viewed as rather preliminary and rough. The following table provides an overview of academic studies:

| Author(s) | Methodology/data source | Sample | Remarks |
|--|--|---|--|
| Hörisch, Johnson & Schaltegger (2014) | Quantitative, two online surveys | Large firms (n = 151) and SMEs (n = 177), considers all relevant industries | Applies EU SME definition, applies a knowledge-based view on the implementation of sustainability management instruments |
| Castrellon Gutierrez et al. (2014) and Mittelstädt, Backhaus-Maul & Kunze (2013) | Quantitative, computer assisted telephone interviews | SMEs from Saxony-Anhalt, n = 256, representative, considers different industries | Applies EU SME definition |
| Gollnick (2013) | Qualitative, Grounded Theory, semi structured interviews | SMEs participating in local networks and representatives of networks, local authorities in Berlin, n = 56 | Focus is solely on the motivation of a social engagement |
| Johnson (2013) | Quantitative, online survey | SMEs identified using Hoppenstedt database, n = 176, considers different industries | Applies EU SME definition, focus is on the implementation of sustainability management instruments |
| Klewitz, Zeyen & Hansen (2012) | Qualitative, telephone interviews, semi-structured | Focus on firms in the metal and mechanical engineering industry, no regional focus, n = 7 | Applies EU SME definition, addressed SMEs that have participated in an environmental programme |
| Hoffmann & Wallau | Quantitative, online | Data based on BDI- | Regular survey with |

| | | | |
|---|--|---|--|
| (2011) | survey | Mittelstandspanel, industrial SMEs, n = 1034, representative | changing foci, SMEs are considered to have less than 500 employees (IFM Bonn definition) |
| Braun (2010) | Quantitative, computer-assisted telephone interviews with management or PR | Random sample based on 'Firmendatenbank Deutschland' from Hoppenstedt, n = 501 representative, considers different industries | Includes a small proportion of large firms, in this study considered as businesses with more than 500 employees |
| Walther et al. (2010) and Walther & Schenkel (2010) | Quantitative, online survey and qualitative, narrative interviews (main study) | Interviews with 17 SMEs, OMs/MDs and employees | Authors do not provide detail information on the sample |
| Heblich & Gold (2010) | Quantitative, postal survey | SMEs from Bavaria (Niederbayern), manufacturing SMEs, n = 216 | Authors indicate that 13% of participating firms have more than 200 employees |
| Klein & Vorbohle (2010) and Klein & Vorbohle (2008) | Qualitative, expert interviews, semi-structured interviews | SMEs from Hamburg, 11 interviews with experts, 33 interviews with owners of SMEs, considers different industries | Applies EU SME definition |
| Hammann et al. (2009) | Qualitative, telephone interviews and quantitative, survey (main study) | Considers different industries, no regional focus, n = 261 | No detail information on qualitative study revealed, participants are members of the German Catholic Entrepreneurs Union, focus is on values of participants rather than at the firm level |
| Hoffmann & Maaß (2009) | Quantitative, online survey | Data based on BDI-Mittelstandspanel, n = 1081, representative, industrial firms | Applies EU SME definition, considers firms with more than 250 employees as large firms (6.6% of |

| | | | the sample) |
|-----------------------------|---|---|--|
| Maaß (2009) | Quantitative, structured interviews | Database 'Mittelstand in Deutschland' (MIND) 2001 (n = 604), 2003 (n = 759), 2005 (n = 637), owner-managed SMEs, considers different industries | Applies the IFM Bonn definition |
| Meyer, Tirpitz & Laß (2009) | Qualitative, expert interviews and quantitative, telephone interview (main study) | 20 expert interviews from politics, associations, science, address list of the 'Deutsches Institut für kleine und mittlere Unternehmen', no regional focus, considers different industries, n = 508 | Focus on the environmental sphere, study does not reveal which SME definition has been applied |
| Bluhm & Geicke (2008) | Quantitative, e-mail and online survey | Sample based on Hoppenstedt database, n = 266, considers different industries | Authors consider firms between 100 and 500 employees |
| Hahn & Scheermesser (2006) | Quantitative, online survey | Random sample, n = 195, predominance of manufacturing firms | Includes 25% large firms defines as having more than 500 employees |

Table 9: Selected studies on sustainability and responsibility engagement of German SMEs
(Source: own illustration)

The table indicates that few studies make use of qualitative approaches, and some only as a part of a mixed method approach providing scant information on the research design and findings. These studies will be discussed again in the subsequent section as well as in the findings and discussion chapter (see chapter 5).

There are no official statistics in Germany that can systematically collate the relevant data on the responsibility engagement of firms (Braun & Backhaus-Maul, 2010, p. 74; Maaß, 2009, p. 19). However, there seems to be a consensus in the literature

that German SMEs rate sustainability as an important topic (Hahn & Scheermesser, 2006, p. 156) and are already widely engaged in social and environmental issues (Gelbmann & Baumgartner, 2012, p. 286; Rabbe & Schulz, 2011, p. 59; Schneider, 2012, p. 584; Walther et al., 2010, p. 87). Wieland, Schmiedeknecht & Heck (2009, p. 75) conclude that the existence of flat hierarchies and integrative management styles support a consideration of responsibility issues in German SMEs. However, partly contrary to the international literature, it seems that many OMs are strongly sceptical of the use of the CSR terminology since it represents to them an invention of a new construct, whose core ideas are traditionally part of their business model. The use of the term CSR as an Anglicism is not accepted by the vast majority of the firms (see also GILDE, 2007, p. 12).

Walther et al. (2010, p. 92) and Walther & Schenkel (2010, p. 84) indicate that the following themes prevail:

- Intrinsic motivation to engage in environmental and social issues, as this is part of the identity of the firm
- Focus on the local community
- Predominant activities are donations and sponsoring
- Well-being of employees is a central issue

OMs feel that their firm is a part of the society and want to contribute to this society. A moral obligation towards the society is also supported by Hoffmann & Wallau (2011, pp. 22-23), and Gollnick (2013, p. 222) found that the motivation is driven by individual and normative values leading to emotional decisions rather than strategic and rational argumentation. Meyer et al. (2009, pp. 131-133) identified a motivation underpinned by economic or compliance considerations with regard to the environment (see also GILDE, 2007, p. 17). The OMs tend to decide what environmental or social practices are carried out (Klein & Vorbohle, 2010, p. 220; Walther et al., 2010, p. 92; Walther & Schenkel, 2010, pp. 85-86).

The following sections summarise German research results along the themes employees, local community and natural environment, and then provide a summary of the discussion.

3.3.6.1 *Employees*

In a similar vein to the international literature, German research supports that employees are the most important stakeholder group in terms of providing them social security, safe employment positions and good, innovative working conditions (Hammann et al., 2009, p. 45; Klein & Vorbohle, 2010, pp. 217-219). Concrete activities appear similar to what has been discussed in international literature. Activities such as flexible working time, professional training and staff education, preventive health protection, participation in the decision-making process and integration of minorities are common in SMEs (Bluhm & Geicke, 2008, p. 5703; Hoffmann & Maaß, 2009, p. 22; Klein & Vorbohle, 2010, pp. 219-220; Walther et al., 2010, p. 93). However, it is not surprising that vocational trainings play a central role for firms (Bluhm & Geicke, 2008, p. 5703) and are a unique aspect related to the German context of this research. It is further noted that SMEs usually undertake more than one employee-beneficial practice (Hoffmann & Maaß, 2008, p. 22).

An important finding is that OM's tend to express their moral views more easily to internal or closely related external groups rather than, for instance, towards the society or the environment (Hammann et al., 2009, pp. 54-55). A lower level of engagement in the natural environment and, partly, in the society, depending on the local closeness, can be assumed.

3.3.6.2 *Local Community*

Klein & Vorbohle (2010, pp. 219-220) found that the local community is a major area of concern for SMEs. Many institutions (schools, kindergartens, fire brigades, sports clubs) are financially supported by SMEs. There often is a personal contact between the recipient and the donor, in order to ensure that the donations are spent properly. The literature widely supports that donations (money and goods) and sponsorships are the most commonly used form to engage in the society (Braun, 2010, p. 93; Heblich & Gold, 2010, p. 346; Hoffmann & Wallau, 2011, p. 19; Mittelstädt et al., 2013, p. 17) predominately in a local or a regional context (Bluhm & Geicke, 2008, p. 5703; Heblich & Gold, 2010, p. 346; Mittelstädt et al., 2013, pp. 19-20). The results support the international literature, which finds that OM's are indeed involved in their local community.

However, the results of Koos (2012, p. 150) indicate that 47 per cent of SMEs in Germany are involved in some kind of civic engagement, although the numbers fall to 25 per cent in the case of regular civic engagement. In comparison to their peers in other western European regions, such as Benelux, German SMEs are in the middle.

3.3.6.3 *Natural Environment*

The literature further indicates that many firms ignore environmental aspects (Klein & Vorbohle 2010, p. 220). Klewitz et al. (2012, pp. 452-453) found that half of their interviewees consider environmental issues as irrelevant to their industry. In contrast, the findings of Castrellon Gutierrez et al. (2014, pp. 172-173), however, show that 78.5 per cent of the firms evaluate protection of the natural environment as important. However, these mixed results have to be seen in the light of Germany's stringent environmental legislation. While this might be a reasonable explanation, it has to be taken into account that severe environmental problems (for example, climate change) are not appropriately legally addressed. Thus, environmental awareness might be strongly industry-specific, but it should be a subject for all firms.

Hoffmann & Maaß (2008, p. 24) found that firms are involved in activities to reduce the environmental impact of the production process and, to a lower extent, develop environmentally friendly products. Compared to employees and the community, firms are considerably less interested in environmental issues, although there is still room for voluntarily undertaken activities in the backdrop of the strict German environmental law. The findings of Castrellon Gutierrez et al. (2014, p. 175) indicate that recycling, reduction of waste and emissions and energy efficiency are commonly applied by SMEs.

SMEs do not tend to make use of standardised sustainability management systems or reports, and practices are considered in a way that could be described as 'lived practice' (Hahn & Scheermesser, 2006, pp. 159-160; IMB, 2009, pp. 28-29). Whether such companies are de facto not involved in environmental or social practices is at least questionable as the use of standardised and formal management and reporting systems tends to be generally low in the SME sector, as was recently supported by Johnson (2013, no page). Knowledge was recently identified as having a strong in-

fluence on the systematics of sustainability management (Hörisch et al., 2014, no page).

Summarising the previous discussion, the following table can be used to illustrate the main practices of SMEs:

| Employees | Environment | Community |
|--|---|---|
| Provision of continuous training (86%) | Reduction of energy consumption (76%) | Support of social initiatives (71%) |
| Flexible working hours (83%) | Measures to reduce the use of natural resources (69%) | Support of training initiatives (69%) |
| Measures for the recruitment of foreign employees (66%) and disabled workers (56%) | Waste recycling policy (64%) | Support of sports associations (59%) |
| Promotion of health and safety (55%) | Development of environmentally friendly products and services (64%) | Support of cultural initiatives (55%) |
| Compatibility of work and family (44%) | Assessment of ecological impact of investment decisions (55%) | Support of initiatives to create employment (54%) |
| Profit sharing or employee shareholding (34%) | Environmentally friendly production processes (50%) | Implementation of ethically responsible marketing (52%) |
| Social standards at suppliers in supply chain (29%) | Measures to reduce harmful emissions (48%) | Principles to prevent dishonesty and corruption (51%) |

Table 10: Sustainability and responsibility engagement of SMEs

(Source: adapted from GILDE, 2007, pp. 7-11)

With regard to the overall engagement of German SMEs, literature indicates that the vast majority of German SMEs seem to be engaged in sustainability and responsibility issues (Bader, Bauerfeind, & Giese, 2007, p. 8; Braun, 2010, p. 92; Hoffmann & Maaß, 2009, pp. 25-26; Maaß & Reinhard, 2002, p. 60). So, environmental and social activities do seem to be common in German SMEs, although one has to be careful in overstraining this, as it rather presents the upper limit of active firms. For instance Maaß (2009, p. 22), finds that only 40.1 per cent of SMEs are socially engaged and Bluhm & Geicke (2008, p. 5702) find that only slightly more than a third of their sample firms clearly commit themselves to a voluntary engagement. While

certainly terminological imprecisions or different samples to a certain extent may explain different findings, Braun & Backhaus-Maul (2010, p. 79) argue that the engagement of firms might be overestimated in many studies as there is the tendency that usually firms take part in such studies that are somehow engaged. So, it can be concluded that addressing ‘ordinary’ firms that are not intensively engaged or aware of these topics could be highly beneficial.

3.3.7 Key Themes, Framework and Research Questions

Morsing & Perrini (2009, p. 2) point out that ‘more research is needed to understand in detail the conditions and strategies for SMEs to adopt CSR practices’. Moore & Spence (2006, p. 222) contend that all areas in this domain need further efforts, whether taking the view from a macro-, meso- or micro-level perspective (see also Vázquez-Carrasco & López-Pérez, 2013, p. 3216). Moreover, there is a gap in how SMEs manage social and responsible issues. Specifically, it is argued that very little scholarly research has addressed the acceptance of CSR management tools as well as the aspect of whether those tools are applicable to or used at all by SMEs (Gellert & Graaf, 2012, p. 353; Johnson, 2013, no page).

Over two decades ago, Thompson & Smith (1991, p. 39) proposed to research the actions and behaviour of SMEs, in order to meet responsibility expectations. Furthermore, they saw a need to understand how SMEs respond to responsibility issues. This was echoed by Spence (1999, p. 170), who claimed more clarity in understanding the actual practices rather than perceptions of SMEs on responsibility. Almost 20 years later, Morsing & Perrini (2009, p. 3) emphasized the importance of understanding of aspects ‘such as the ‘how’ to manage and the ‘what impact’ of CSR’.

Recently, Vázquez-Carrasco & López-Pérez (2013, p. 3216) suggested that the role of employees for SMEs and the selection processes in the responsibility engagement as well as the motivation of SMEs to engage in sustainability need further research. While it was argued earlier that SMEs tend to be embedded in their local community or region, Kleine-König & Schmidpeter (2012, p. 693) argue from a German perspective that there is scarce knowledge on the benefits, nature and form of such networks. Spence & Perrini (2010, p. 45) conclude that ‘building a solid body of evidence could be a major contribution to furthering uptake of social responsibility

among small businesses'. Further, Fassin (2008, p. 375) strongly proposes that the objective of academic research should be to go out to the field and gather the views of the people in SMEs, that are operationally involved in social or environmental activities, rather than draw conclusions based on external secondary data, such as reports or websites.

The literature reviewed above indicates a considerable volume of research has been developed. However, the avenues for further research proposed above and by other scholars (for example, Spence, 1999, 2007, 2014) are still valid. This is especially true when looking at phenomena in specific regions or industries (Kechiche & Soparnot, 2012, p. 101; Lee et al., 2015, no page). Curran & Blackburn (2001, p. 6), point out, 'small enterprises have an extreme range of forms'. The literature review implies that research in this context has not yet sufficiently taken into account the major points of concern identified above. The review has indicated a number of themes seen as especially relevant to this research. The following descriptive framework illustrates the key themes:

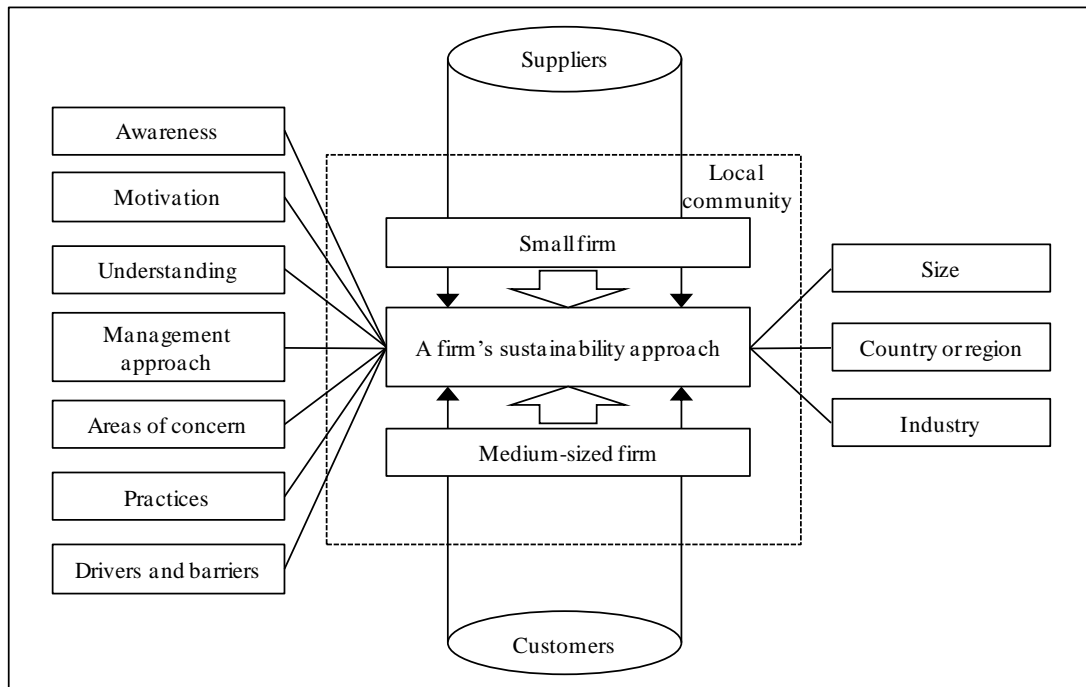


Figure 6: Themes in firm's sustainability approach
(Source: own illustration)

This framework proposes that a firm's sustainability and responsibility approach is affected by a number of different issues and stakeholders. First of all, it has to be stated that suppliers and customers can be a severe impacting factor. However, the literature is divided on whether suppliers can be influenced by SMEs and customers reward a sustainably managed firm or whether customer pressure can reduce the capabilities to engage in sustainability and responsibility. With regard to size, the literature has further indicated that within the SME category, firms might be considerably different in their nature. For this reason, it is necessary to distinguish between small firms and medium-sized firms. The right side of the framework lists some of the most influencing contextual factors for the sustainability approach of a firm. As the subsequent empirical research takes place in a specific region (Baden-Württemberg), and examines firms of a specific industry (manufacturing firms), one may assume that the heterogeneity of the sample firms is reduced to a certain extent. Concerning size, it has to be stated that the focus of this research is on small and medium-sized firms according to the conceptualisation of Becker & Ulrich (2011). Size may still be a relevant factor within different size classes.

The discussion leads us to the following research questions in the context of Baden-Württemberg:

1. What is SME's awareness and motivation to engage in sustainability and responsibility issues?

The first research question examines the awareness and motivation of firms. It tries to find out whether firms are intrinsically or instrumentally motivated to engage in sustainability. Moral values and beliefs are found to be an important driver of such an engagement.

2. How do SMEs understand their responsibility towards the society?

This research question aims at developing a better understanding on how firms interpret their responsibility towards the society and the environment.

3. How do SMEs manage sustainability and responsibility issues?

The aim of this research question is to provide a better understanding of the management approach of SMEs. Do they follow a strategic or an ad hoc ap-

proach? Is the approach formal or informal? What are common management instruments? What practices are implemented and why?

4. What are the drivers of and barriers to SME engagement in sustainability and responsibility issues?

The literature has indicated a variety of drivers and barriers. First of all, this research question aims at identifying the most relevant drivers and barriers in practice. Furthermore, it intends to increase the understanding of how the drivers and barriers relate to the implemented management approaches and the undertaken practices.

The themes indicated in the framework ultimately represent the aspects which have been identified in the literature as determining factors for a firm's sustainability approach and, therefore, fall within the main scope of empirical research.

As will become more evident later (see section 5.2), the discussion of findings will be structured around the main themes identified in the data, and so there might be, at the first glance, a rather indirect relationship between research questions and themes. For this reason, section 6.1 provides a reflection of the findings and contributions in the light of the research questions.

3.4 Chapter Summary and Implications

The aim of this chapter was to review the literature on sustainability and responsibility, in order to develop a deeper understanding of the state of knowledge in the research field. By doing so, a multitude of conceptual and empirical work to date was considered. However, while the researcher believes that a comprehensive and substantial account of literature has been discussed, it has nevertheless to be acknowledged that the discussion cannot be all-embracing. A stepwise approach was applied, consisting of a systematic review to create a holistic picture of the research field, which was then extended considerably by an in-depth discussion of a broad set of literature. Moreover, this work contributes to the existing research by considering international as well as German literature. German research results tend to be rarely discussed on an international forum as indicated earlier. The review identified a number of key themes, such as the awareness and motivation for sustainability is-

sues, management approaches and practices as well as barriers, which were critically discussed and compared.

It is important to note that this research assumes that the behaviour and practices of SMEs are considerably shaped and determined by the values and beliefs of their OM or MDs as they create some kind of moral climate in which decisions are made. Thus, even when employees are involved in practices, these practices are at least to a certain extent related to the overall climate. For this reason, it is possible to establish a connection between the views and perceptions of (owner)-managers which will be the focus of empirical fieldwork and the behaviour of SMEs as organisations. Moreover, it is reasonable to believe that (owner)-managers are to a certain extent involved in the decision-making process of the sustainability and responsibility engagement (see section 4.4.4.1).

The discussion finally resulted in a simple descriptive framework, a set of research questions and also provided information on the subsequently carried out explorative fieldwork in a sample of manufacturing SMEs in Baden-Württemberg. This will be shown in the following chapter.

4 Research Methodology

4.1 Aim of Chapter

The aim of this chapter is twofold. First, it intends to provide an overview of the research philosophical and methodological issues and to discuss the assumptions underlying this research. Second, this chapter discusses the methods and techniques applied in this research with regard to data collection and analysis as well as to provide a rationale for why the techniques are in line with the philosophical assumptions and are suitable to answer the research questions developed throughout the research activities. The overall approach taken in this research is an interpretive, inductive one making use of semi-structured interviews, in order to provide an in-depth understanding of the views of (owner)-managers on sustainability and responsibility of their firms. Given the lack of interpretive research in Germany as well as the ambiguity in the research field, an interpretive research approach provides a novel perspective to the field.

Kent (2007, p. 48) notes that all research activities rely on assumptions about the nature of the reality that is being observed, about what is acceptable knowledge and how it is being produced as well as the perspective from which the research is approached. Research philosophy and methodology is a highly complex and diverse field of study. Crotty (1998, p. 1) further reminds us that there is a high degree of ambiguity as ‘these methodologies and methods are not usually laid out in a highly organised fashion and may appear more as a maze than pathways to orderly research’.

Research philosophical considerations are frequently referred to the term ‘paradigm’ (for example, Hallebone & Priest, 2009, p. 47). Easterby-Smith, Thorpe & Jackson (2008, p. 57) note that positivism ‘has developed into a distinctive **paradigm** over the last one and a half centuries’. Furthermore, Burrell & Morgan (1979, pp. 22-35) developed a typology consisting of the four paradigms ‘interpretive’, ‘functionalist’, ‘radical humanist’ and ‘radical structuralist’ to map the different streams of philosophical and theoretical assumptions in social theory. Both examples refer to a basic understanding of the term ‘paradigm’ which goes back to the work of Thomas Kuhn,

The Structure of Scientific Revolutions, originally published in 1962.⁵ Kuhn (2012, p. xliii) defined ‘paradigms’ ‘to be universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners’. More specifically, Stokes (2011, p. 94) notes that a paradigm is ‘a conceptual and structural **representation** of a belief system, encompassing ideas and assumptions that will ultimately shape and reshape the way a person or persons see the world’. However, Burrell & Morgan (1979, p. 23) remind us that there is nothing like a ‘complete unity of thought’, and that scholars may adopt different standpoints even within one paradigm. However, the paradigm does imply a number of generally accepted assumptions which scholars from a different paradigm believe to be fundamentally different. This refers, for instance, to beliefs such as whether there is an externally existent ‘real’ world independent of the social actors (objectivism), as it is assumed in the natural science approaches. This would lead us to an opposing position which assumes that the world is created from the perceptions of social actors (subjectivism) and socially constructed (constructionism) as frequently assumed in recent social science-oriented approaches (Saunders, Lewis & Thornhill, 2012, pp. 131-132).

It is self-evident that the following philosophical and theoretical discussions can be neither all-encompassing nor exhaustive, but, in the best case, comprehensive enough to coherently reveal the philosophical assumptions underlying this research. This may, therefore, allow a transparent view on this research and its findings as well as provide an answer to the questions proposed by Crotty (1998, p. 2), which are central to every research activity:

- What kind of knowledge do we believe will be attained by our research?
- How should readers of our report regard the outcomes of our research activities?
- Most importantly, why should our readers take these findings seriously?

These issues will be addressed in the course of the discussion below.

⁵ The fourth edition of *The Structure of Scientific Revolution* was published in 2012.

4.2 Research Philosophy, Methodology and Justification of Paradigm

One can differentiate between ontology and epistemology. Ontology deals with the philosophical assumptions about the nature of reality, while epistemology is concerned with how knowledge is established and with the best ways of inquiring the nature of the world (Easterby-Smith et al., 2008, p. 60).

The ideas discussed in those two sections are then being used to more precisely reveal the basic philosophical assumptions and the paradigm which influence this thesis.

4.2.1 Ontology

According to Morgan & Smircich (1980, p. 492), ontology describes the assumptions about the nature of human beings and their world. In fact, Duberley, Johnson & Cassell (2012, p. 17) understand ontology as a philosophical tradition dealing with questions that ‘concern whether or not the phenomenon that we are interested in actually exists independent of our knowing and perceiving it—or is what we see and usually take to be real, instead, an outcome of these acts of knowing and perceiving?’. Morgan & Smircich (1980, p. 492) provide a continuum of differing worldviews, in which, on the one side, reality is seen as a concrete structure (objectivist approach) and, on the other side of the continuum reality, is interpreted as a projection of human imagination (subjectivist approach). Although there are several views in between the two extreme positions and there may be a certain overlap of the identified ‘in-between’ positions, they nevertheless exemplify the very essence of how our worldview ultimately impacts our research approach. Whether we believe that reality is external to the individual under study or whether we assume that reality is the result of the individual’s consciousness tremendously influences another set of assumptions, namely that of our epistemological position (Burrell & Morgan, 1979, p. 1).

Relying on the basic assumptions of a paradigm does not necessarily restrict the choice of research methods. In this context, Guba & Lincoln (1994, p. 105) contend that from their perspective ‘both qualitative and quantitative methods may be used appropriately with any research paradigm’. Indeed, in a similar vein, Crotty (1998, p. 15) reminds us that many qualitative research approaches were earlier conducted

in a positivist manner (for example, the early history of ethnography). If this is true, then what ultimately counts and shapes our research are our paradigmatic worldview and our beliefs of how this world is functioning.

Coming back to the core of the ontological debate, Crotty (1998, p. 10) states that ontology 'is the study of being', and that the very essence of ontology in a philosophical sense 'is concerned with 'what is', with the nature of existence, with the structure of reality as such'. Crotty (1998, p. 11) stresses on using the term ontology solely 'for those occasions when we do need to talk about 'being''. His discussion of the nature of ontology reveals that referring to 'how one views the world', according to him, 'is stretching the meaning of ontology well and truly beyond its boundaries' (Crotty 1998, p. 11). Furthermore, it has to be stated that there is no coherent terminological clarity in the field of ontology. Terms such as objectivism, subjectivism, constructionism, realism, nominalism and relativism are common (Bryman & Bell, 2007, pp. 22-25; Crotty, 1998, p. 11; Easterby-Smith et al., 2008, p. 61; Saunders et al., 2012, pp. 131-132).

The section implies that, for the purpose of laying down the ontological position of one's research activities, a certain amount of ordering is inevitable. First of all, it is seen as important that a researcher exemplifies his ontological position; this means his basic assumptions of the nature of the reality and how the world operates. Burrell & Morgan (1979, p. 1) clearly state that all researchers 'approach their subject via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated' and, according to them, this entails assumptions about the ontological and epistemological nature (see also Cunliffe, 2011, p. 649). Thus, in this case, ontology might not be understood in such a strictly puristic philosophical way as insisted by Crotty (1998), but it nevertheless helps disclose the implicit and explicit assumptions on which our research activities are based. Second, it is seen as helpful to provide some clarifications with regard to the terminology. Here, the discussion will be restricted to the predominantly used positions.

The classical realist position assumes a 'real' world as, for instance, aesthetic or moral issues, that usually relate to an individual standpoint, are neglected (Guba & Lincoln 1994, p. 108). A 'fact is a fact', which implies that there is an external world

existing independently, no matter whether or not the human consciousness is aware of the elements of this world (Stokes, 2011, p. 106). According to Burrell & Morgan (1979, p. 4), this view implies that ‘the social world has an existence which is as hard and concrete as the natural world’. However, this holds only true, if we follow the arguments of the positivists, who demand a radical unity of what is acceptable as scientific across all the different branches of sciences (Crotty, 1998, p. 27). A term frequently used to describe a similar view of the reality is objectivism (Bryman & Bell, 2007, p. 22; Eriksson & Kovalainen, 2008, p. 11; Saunders et al., 2012, p. 131), although this is criticised by Crotty (1998, p. 10) who acknowledges a necessary link between the two. However according to him, realism, as an ontological position, claims that ‘realities exist outside the mind’, whereas objectivism (for him an epistemological concept), assumes that ‘meaning exists in objects independently of any consciousness’.

There is a second worldview, which differs fundamentally from the above-discussed position. This view denies that there is any definite structure of social reality. The social world is, according to Burrell & Morgan (1979, p. 4), ‘made up of nothing more than names, concepts and labels which are used to structure reality’. However, even more importantly, these attempts ‘are regarded as artificial creations’, in order to describe this social external world (see also Easterby-Smith et al., 2008, pp. 61-62). Nowadays, it seems that terms like subjectivism or constructionism are commonly used to describe the ontological view opposing that of realism—objectivism. According to Duberley et al. (2012, p. 18), subjectivism implies that the ‘social reality is a creation, or projection, of our consciousness and cognition’, which ultimately leads us to the assumption that what is ‘out there’ has no real, independent status separate from the act of knowing. This meaning-making process is likely to be ongoing, so there is no such thing as fixed and stable reality, but rather the phenomena in this social world are under a constant state of flux. Saunders et al. (2012, p. 132) remind us ‘to study the details of a situation, in order to understand what is happening or even the reality occurring behind what is happening’. This argument is a key characteristic of an epistemological umbrella term, which is augmented by many different philosophical traditions, namely interpretivism, as will be shown below.

The discussion reveals that our ontological position necessarily influences us in our research approaches. How we see the reality necessarily affects what we see as acceptable ways of generating knowledge. Generally speaking, it depends on whether we tend to follow the logic of the positivist paradigm or of the post-positivist paradigm, or whether we believe in a more pluralistic paradigm such as interpretivism, which can be understood as a smorgasbord of different philosophical positions challenging the dogmatic position of positivism.

4.2.2 Epistemology

Crotty (1998, p. 9) reminds us that ‘epistemology bears mightily on the way we go about our research’. The epistemological position finally determines what we see as acceptable knowledge and adequate ways of approaching the social world to generate this knowledge. Hence, epistemology plays a central role in the research process (Stokes, 2011, pp. 41-42). The conceptualisation of Morgan & Smircich (1980, p. 493) helpfully illustrates that along the subjective-objective continuum, changing ‘grounds for knowledge in each of these perspectives are different because the fundamental conceptions of social reality to which the proponents of each position subscribe are poles apart’.

The discussion of Eriksson & Kovalainen (2008, p. 15) refers to the term foundationalism. The basic understanding of foundationalism is, very roughly, ‘knowledge [which] has secure and certain foundations’ (Crotty, 1998, pp. 42 and 217). He further, somewhat more precisely, points out that this view rests on the assumption ‘that there is objective truth and that appropriate methods of inquiry can bring us accurate and certain knowledge of that truth’. This was in many disciplines the epistemological basis on which the sciences of the Western world were built since the Age of Enlightenment (Crotty, 1998, p. 42). In a similar vein, according to Hughes & Sharrock (1997, p. 4), foundationalism puts epistemology prior to empirical research as the knowledge achieved through empirical research needs to be defended against persistent critique and a way to do so is to show that knowledge is built on sound foundations.

When dissecting the above statements on foundationalism, it becomes evident that this view equals what Guba & Lincoln (1982, p. 234) call the rationalistic paradigm

and what is usually discussed within positivism (for example, Snape & Spencer, 2003, p. 6). According to Guba & Lincoln (1982, p. 235) this, also often called scientific approach, involves a position which is at its heart analytic, reductionist, empiricist, associationist, reactivist, nomological as well as monistic. Bryman (1988, pp. 14-15) has usefully summarised the very essential key characteristics of positivism:⁶

- Positivism rests on the belief that the methods of natural sciences shall be applied to social sciences. The fact that the objects of research are humans (who think, feel, attribute meaning, etc.) is not seen as an obstacle to the application of the natural science approach (methodological monism).
- Valid and acceptable knowledge can only be achieved by observing phenomena. Metaphysical issues, such as feelings or subjective experiences, then are consequently not in the scope of research unless they are made observable (empiricist view).
- Scientific knowledge is expanded through accumulation of verified facts, which then feeds into theory. The aim is to identify empirically established regularities ('laws').
- Positivist research relies on a hypothetico-deductive mindset. Scientific theories provide the foundation to empirical research as hypotheses are usually derived from them (causal connection between entities), which are then being tested empirically (deductive approach).
- Positivism finally implies a particular stance regarding the treatment of values. First, it can be stated that the paradigm is based on the belief that scientists have to conduct research in an objective way to not undermine the validity of knowledge. Second, positivism draws a sharp distinction between scientific and normative issues as it is not possible to verify normative statements (value freedom).

⁶ It is not intended and also not realistic to provide a comprehensive discussion on positivism and post-positivism here. For a detailed discussion on the historic development of positivism and the nuances of the concept, Crotty (1998) and Hughes & Sharrock (1997) provide an excellent account of the philosophical assumptions.

The absolutist and dogmatic claim of positivism has been heavily attacked in scientific debate and led to the development of post-positivism, but more important to this research, and induced the acceptance of alternative research paradigms (Crotty 1998, pp. 29-41). In this context, Denzin & Lincoln (2011, pp. 1-2) talk about three paradigm wars, which started in the 1970s.

Thus, scholars began to argue that the methodology of natural sciences is insufficient to understand human phenomena (Hughes & Sharrock, 1997, pp. 97-98). Society ultimately is a human creation and people who live in this world attach meaning to it. This duality of the subjective and objective is, hence, irreducible. As a consequence, if it is to unveil this mental reality, it is quite logical, as stated by Hughes & Sharrock (1997, p. 98), that insights into the 'knowledge of persons could only be gained through an interpretative procedure grounded in the imaginative recreation of the experiences of others to grasp the meaning which things in their world have for them'. Much has been written on the critique of positivism (for example, Crotty, 1998; Guba & Lincoln, 1994; Hughes & Sharrock, 1997; Lincoln & Guba, 1985). For instance, the discussion on Lincoln & Guba (1985, pp. 25-28) indicates some important points which are shown below:

- Positivism leads to an inadequate conceptualisation of science (confuses two aspects: context of discovery and context of justification).
- Positivism is unable to deal adequately with two crucial and interacting aspects of the theory-fact relationship (underdetermination of theory—also known as the problem of induction—and an inappropriate theory-ladenness of facts).
- Positivism is overly dependent on operationalism, which has itself been increasingly judged to be inadequate.
- Positivism has at least two consequences that are both problematic and unfounded (determinism and reductionism).
- Positivism has produced research with human respondents that ignores their humanness, a fact that has not only ethical but also validity implications.
- Positivism falls short of being able to deal with emergent conceptual/empirical formulations from a variety of fields.

- Finally, positivism is based on a set of assumptions that is increasingly difficult to be maintained (single tangible reality, separation of the observer from the observed, temporal and contextual independence of observations, linear causality, results are supposed to be free from the influence of values and, hence, unbiased).

Given this, it is not surprising that alternative epistemological standpoints have been intensively discussed in the literature on organisational research. For instance, Burrell & Morgan (1979, p. 5) refer to the term anti-positivism to describe a counter position to positivism. According to them, this view implies a social world which is ‘essentially relativistic and can only be understood from the point of the view of the individuals who are directly involved in the activities which are to be studied’. For this reason, it is Guba & Lincoln (1982) and Lincoln & Guba (1985), as one prominent example, who suggest an alternative way of doing research, and propose a ‘naturalistic inquiry’ instead of the positivist approach described above. According to Guba & Lincoln (1982, p. 235), this naturalistic approach claims to have several advantages over other paradigms, such as contextual relevance and richness, procedural sensitivity compared to the traditional, control-oriented experimental approaches, an intention to ground theory in data instead of imposing theory on data and, finally, most importantly, the use of the human being itself as a research instrument and, therefore, a direct connection to the participants of the research and their meaning and understanding.

It is this view, the literature refers to under the term of interpretivism (for example, Bryman & Bell 2007, p. 17; Saunders et al. 2012, p. 137) or, as others prefer, the term constructionism (for example, Easterby-Smith et al. 2008, p. 58) to discuss a contrasting position to positivism. Within this thesis, interpretivism is given preference, it becomes evident that the pluralism of underlying assumptions is much larger than in positivism or post-positivism as, for instance, the writings of Crotty (1998) suggest (see also Duberley et al. 2012, pp. 20-22).

The social world of business management and organisational research may be far too complex to be theorised by definite ‘laws’ of natural science. Rich insights into this complex world could be lost, if such complexity were to be reduced. Interpre-

tivism emphasises, furthermore, that it is necessary for the researcher to understand the differences between humans in their role as social actors (Saunders et al. 2012, p. 137). Although, a reduction in the main paradigms to their core differences may not do justice to both phenomena and they may represent rather extreme positions, the following figure, however, briefly summarises the key points of both paradigms:

| | Subject of axiom | Paradigm | |
|--------------|-----------------------------------|--|--|
| | | Rationalistic/positivism | Naturalistic/interpretivism |
| Ontology | Reality | Naïve realism, single, tangible, convergent, fragmentable, external reality assumed | Relativism, multiple, intangible, divergent, holistic, constructed reality |
| Epistemology | Inquirer/respondent relationship | Independent | Interrelated |
| | Nature of truth statements | Context-free generalisations, nomothetic statements, focus on similarities, aim is explanation | Context-bound working hypotheses, idiographic statements, focus on differences, aim is understanding |
| | Attribution/explanation of action | Real causes, temporally precedent or simultaneous, manipulable, probabilistic | Attributional shapers, interactive, non-manipulable, plausible |
| | Relation of values to inquiry | Value-free, objective, influence denied | Value-bound, subjective |
| | Methodology | Experimental, manipulative, verification of hypotheses, predominately quantitative methods | Hermeneutical, dialectical, predominately qualitative methods |
| | Criteria | Internal, external validity | Trustworthiness, credibility, transferability, confirmability |

Table 11: Comparison of research paradigms

(Source: modified from Denzin & Lincoln, 2011, p. 13; Guba & Lincoln, 1982, p. 237, 1994, p. 109; Lincoln et al., 2011, pp. 98-99)

The following section will try to bring together and discuss, more concretely, the philosophical and methodological assumptions underlying this research, and the

applied research approach, as well as describe how they relate to the topic of the research.

4.2.3 Paradigm of this Research

The paradigm of this research tends to broadly fall into an interpretive philosophical position, as will become more evident. In this context, it can be distinguished between aspects that describe the nature of the research field as well as methodological or paradigmatic considerations.

4.2.3.1 *Nature of the Research Field*

As discussed earlier, the SME sector is extremely heterogeneous. Curran & Blackburn (2001, p. 60) remind us of the immense plurality of different kinds of SMEs operating in diverse industries and ‘run by an equally wide range of different kinds of people with a comparably diverse labour force and differing links with the wider economy’. Hence, this agrees with Spence & Rutherford (2003, p. 4), who see a ‘critical importance of researching the full range of business types in order to gain a full picture of business ethics’. Capturing the whole range of the sector and, in parallel, providing a full picture, when understood as a detailed and in-depth analysis, is hardly achievable. For instance, a detailed, qualitative approach is strongly recommended by Spence (1999, 2007) and seems to be especially worthwhile in a German context (see section 3.3.6). Here, the call for developing an in-depth understanding is given preference. Taking this into account, it is worthwhile to focus on a sample of SMEs in a specific region and operating in a specific industry, in order to be able to provide a detailed and rich understanding of the firms, and their context, rather than following the arguments of the positivists and becoming restricted by a reductionist approach.

Okoye (2009, pp. 623-624) indicates that CSR has to be considered as an ‘essentially contested concept’, and this characterisation can easily be extended to other concepts, such as sustainability or ethics in general. What is seen as right or wrong, ethical, sustainable, very often depends on the individual view of a human being as these issues are in essence normative. Hence, there exist different realities and dimensions in reality of which exploratory approaches may create detailed and in-depth information (Aragón et al., 2015, no page). Here, it is believed that values and

beliefs of human beings can only hardly be measured or quantified, and if with a considerable simplification. Hence, again a positivist understanding that is rooted in a foundationalist worldview and which strongly relies, for example, on empiricism, overwhelmingly of quantitative nature and, as a logical consequence, reductionism (Guba & Lincoln, 1982, p. 235; Hughes & Sharrock, 1997, pp. 4-5) seems to contradict the nature of the research field.

The fieldwork has indicated, for instance, that there is an immense range of understanding of what can be seen as sustainable and there tends to be nothing like a generally accepted understanding among participants. Given this, from an ontological point of view, to assume that there is only one external truth or reality does not seem to be an appropriate representation of the world. It is, thus, unlikely for the natural science approach to capture this diversity. Furthermore, it has to be stated that this research involves personal contact with other persons. Issues like sustainability or ethics indeed have to be characterised as sensitive topics that may cause a considerable reluctance of participants with regard to providing data (for example, Jackall 2010, pp. 13-16; Yeager & Kram 1995, pp. 44-50). For this reason, it is argued here that personal contact is seen as an important point to increase the willingness of participants to grant access to their view of the topic under study, as the personal contact could increase trust. This might support that participants do not fall into a mode of socially desirable responding, but perhaps provide a more honest account of their thoughts (for example, Besser, 2012, p. 133; Spence & Rutherford 2001, p. 130).

Moreover, there is sparse theory and conceptual work, which has focused on the German context. As Walther et al. (2010, p. 91) indicate, the majority of German studies are quantitative in nature, but this must not lead to the assumption that there is already sufficient theoretical and conceptual work which can be quantitatively tested. This research is rather descriptive in nature, and partly conducted by business associations or other institutes. The research here tends to be exploratory in nature and is, hence, more oriented towards the development of theory rather than deductively testing theory.

4.2.3.2 *Paradigmatic Considerations*

Saunders et al. (2012, p. 137) argue that an interpretive stance may be appropriate in business and management research, especially when the research is related to themes such as organisational behaviour. The discussion of Nordqvist, Hall & Melin (2009, p. 298) indicates that interpretive research aims at understanding by means of the interpretation of meaning. Schwandt (2000, p. 191) reminds us that human action is inherently meaningful. He goes on to argue that understanding such an action requires grasping the meanings that constitute that action; for instance, identifying a certain intentional content. The same action can have a considerably different meaning depending on the context. Schwandt (2000, p. 191) exemplifies that raising an arm can be differently interpreted, for example, as voting, hailing a taxi, or indicating that someone wishes to speak. This example further illustrates the importance of context sensitivity. Nordqvist et al. (2009, p. 300) note that ‘interpretive researchers seek knowledge through individual experiences of actors who are directly involved in the social processes under study’ by entering the world of the actors. The aim of this research is to understand the viewpoint of participants also from their subjective accounts. This again includes entering the world of participants as far as possible and providing rich and in-depth descriptions, at least to the extent the nature of the research field allows to do so.

Furthermore, it is not believed that research can be carried out in a completely neutral and value-free way—both the researcher and the subjects under study have assumptions, personal views and stereotypes. The only thing one can do about this is to be transparent and reflective. Moreover, each interaction between the researcher and the subject under study is specific and individual. With regard to this, Lindgren & Packendorff (2009, p. 38) note that all knowledge is created and constructed as a result of this interaction. With regard to interviews, Holstein & Gubrium (1995, p. 18) argue that, ‘any interview situation—no matter how formalized, restricted, or standardized—relies on the interaction between interview participants’, emphasising the collaborative and socially constructed nature of knowledge.

The idea of social constructionism goes back to the seminal work of Berger & Luckmann (1966). According to Gergen (2009, p. 3), the pivotal idea is not a complex one, but the impact is tremendous, if we start to leave our obvious understand-

ing ‘that the world is simply out there for us to observe’ behind us. Berger & Luckmann (1966, p. 189) developed the argument that sees ‘human reality as socially constructed reality’. This can be best illustrated by the following quotes. Berger & Luckmann (1966, p. 129) argue that internalisation is central to the process and state that ‘the immediate apprehension or interpretation of an objective event as expressing meaning, that is, as a manifestation of another’s subjective processes which thereby becomes subjectively to myself’. They go on to note that this may indeed lead to misunderstanding the other, but ‘his subjectivity is nevertheless objectively available to me and becomes meaningful to me, whether or not there is congruence between his and my subjective processes’ (Berger & Luckmann 1966, pp. 129-130). This implies that the world is perceived differently by different people depending on their individual context, such as their socialisation (for example, religious beliefs). Meaning then is created from an interplay between an objective feature (for example, an organisation) and the subjective view of an individual and intersubjective processes (Eriksson & Kovalainen 2008, p. 20).

Stokes (2011, p. 24) indicates that research conducted from the position of constructionism tends to aim at understanding actions or behaviour of people, and the meaning they attach to it. The very basic idea that can be borrowed from this tradition, in the context of this thesis, is that a researcher has to carefully reflect on responses given by participants of a study and what meaning can be associated to them, as they ultimately are constructions resulting out of the interaction between the researcher and the participant. As a result, Eriksson & Kovalainen (2008, p. 20) further remind us that there might be many possible interpretations of data, all of them potentially meaningful. Furthermore, the constructionist view reminds us to get close, understand the context and engage with research subjects (Thorpe 2008, p. 116). However, it has to be stated that the focus here is not on the role of language, as, for instance, a narrative or a discourse analysis are not applied but, following Thorpe (2008, p. 116), keeping in mind the basic idea is seen as important.

Taking into account the ill-defined terms in the research field, scholars highlight the socially constructed nature of the terms (D’Aprile & Mannarini, 2012, p. 54; Lähdesmäki, 2012, p. 178). Lähdesmäki (2012, p. 178) states with regard to the CSR term that ‘it is produced as a context related phenomenon that is constantly produced

and reproduced in the interaction between a small business and its different stakeholders'. Thus, it is important to keep in mind that the fieldwork constructs a specific extract of this process and the inherent meaning is then consequently socially constructed by the researcher.

Moreover, hermeneutics seems to influence the interpretive paradigm of this research. Hermeneutics asks for the interpretation of a text from the perspective of the author of the text as well as considering the social or historical context under which it was written (Grix 2010, p. 167). Crotty (1998, p. 91) further argues that the hermeneutic theory often prospects 'gaining an understanding of the text that is deeper or goes further than the author's own understanding' such as, for instance, taking for granted many aspects when producing the text. The discussion of Stokes (2011, p. 55) indicates that the act of interpreting is not a neutral activity, but is much more an iterative process which is complemented by the values and background of the interpreter. Schwandt (2000, p. 194) usefully points out that philosophical hermeneutics is not a procedure or rule-governed approach. According to him, 'understanding is interpretation'. Schwandt (2000, p. 194) goes on to argue that 'in the act of interpreting' (of 'taking something *as* something'), socio-historically inherited bias or prejudice is not regarded as a characteristic or attribute that an interpreter must strive to get rid of or manage, in order to come to a 'clear' understanding. Hughes & Sharrock (1997, p. 135) note that 'the circle of hermeneutic interpretation is a process of hypothesis and revision as understanding develops'. In the same vein, Crotty (1998, p. 92) shows that the process of understanding begins with ideas or terms, that indicate a rudimentary understanding of a phenomenon. This understanding then develops and represents enhanced knowledge, which then serves as a starting point for the next iteration.

Hermeneutics seems to be, in many instances, applied implicitly as usually one approaches a new field or phenomenon with assumptions, which then develop and is always in a state of revision and refinement. The ideas of hermeneutics are important to keep in mind when analysing data, such as an interview transcript. These further indicate that every text depends on the context in which the text has been produced. So, as far as possible, it is worthwhile to consider the context of a phenomenon.

The discussion above has tried to exemplify the basic paradigmatic assumptions of this research. The discussion, of course, is neither comprehensive nor captures the many different understandings and nuances of the concepts. Instead, it is a social construction by the researcher and provides a personal view on aspects which seem to influence the underlying assumptions of this research and, hence, can be considered to be the paradigm of this work. The following discussion goes on to provide a rationalisation of the research design and methods.

4.3 Research Design

In general, a research design can be seen as a flexible set of assumptions and considerations leading to specific contextualised guidelines that connect theoretical notion and elements to a dedicated strategy of inquiry supported by methods and techniques for collecting empirical data (Jonker & Pennink, 2010, p. 39). According to Creswell (2009, p. 5), a research design is informed by the philosophical worldviews (for example, positivism, social constructionism), the selected strategies of inquiry (for example, qualitative strategies such as ethnography) and, finally, the research methods (for example, data collection, data analysis).

The design of the research shall be illustrated according to Jonker & Pennink (2010) by means of the research pyramid. One can consider the pyramid as a logical chain of interconnected events ranging from a rather abstract to a very concrete level. On each of the four levels, choices need to be made. Finally, the pyramid can be illustrated as follows:

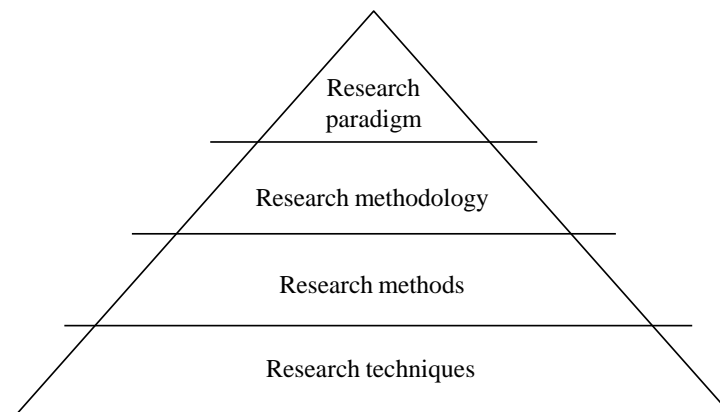


Figure 7: Research pyramid

(Source: Jonker & Pennink, 2010, p. 23)

The interpretive paradigm of this research has been discussed above (see section 4.2.3). The following sections will focus on the methodology and methods (see sections under 4.4). Moreover, Flick (2009, pp. 134-139) distinguishes between case studies, comparative studies, retrospective studies and longitudinal studies. The design of this research tends to be situated in a comparative design as also suggested by Kechiche & Soparnot (2012, p. 101), while the aim is to provide an in-depth analysis of SMEs and their OM, which requires a smaller sample size. An analysis of variations between participants and firms will be carried out.

The following sections provide a detailed discussion of the research approach applied in the fieldwork on sustainability and responsibility in a sample of German SMEs in Baden-Württemberg.

4.4 Qualitative Research Methodology

4.4.1 Field of Qualitative Research

Frost et al. (2010, pp. 412-413) remind us of the immense pluralism of approaches, the variety of techniques as well as the epistemological origins within the field. In a similar vein, Allwood (2012, pp. 1427-1428) emphasises the heterogeneity of approaches in the fields of qualitative and quantitative research and, therefore, also sees a distinction as problematic. He further calls for categorising research methods at a concrete level even in the context of the research problem and questions. The elements of the interpretivist paradigm laid down earlier can be seen as an attempt to provide an understanding of the assumptions which are seen as characteristic to the qualitative research approach in this thesis, and may also be used as a general description of some of the key elements of qualitative research.

However, whether we can talk of a field of qualitative research is still debatable (Lincoln, 2010, p. 8) and, for instance, Preissle (2006, p. 686) speaks of a ‘not-discipline’, a ‘not-field’, but there indeed seems to be a ‘community of practice of qualitative inquiry’, while Denzin & Lincoln (2011, p. 3) state that ‘qualitative research is a field of inquiry in its own right’. Prasad & Prasad (2002, p. 5) indicate the immense variety of philosophical stances undertaken under the label of qualitative research, which include perspectives such as critical theory, post-structuralism, grounded theory or feminism. It is further stated that using the terms interpretivism

and qualitative research synonymously per se implies a terminological imprecision that should be avoided (Prasad & Prasad, 2002, p. 6). The following attempt defining qualitative research unveils the very essence of its subject matter. Denzin & Lincoln (2011, p. 3) define qualitative research as:

‘Qualitative research is a situated activity that locates the observer in the world. Qualitative research consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to the self. At this level, qualitative research involves an interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them.’

The definition usefully reveals some key characteristics of qualitative research, which can be subsumed and extended, according to Snape & Spencer (2003, pp. 4-5), as follows:

- The objective is to provide an in-depth and interpreted understanding of the social world of research participants, including their experiences, perspectives and histories
- Small, purposively selected samples
- Data collection methods, which are flexible, interactive and usually involve close contact to the participants
- Detailed, rich and extensive data
- An analysis, which may allow identifying emergent concepts and ideas, produce detailed descriptions and classification as well as to identify patterns of association
- The outputs tend to focus on the interpretation of social meaning through mapping the social world of the research participants

Moving on to a more practical level, it has to be stated that although many different methods exist in qualitative research, it is important to note that no ‘specific method or practice can be privileged over another’ (Denzin & Lincoln, 2011, p. 6). This is

indeed an important observation, especially seen in contrast to more evidence-based epistemologies. Therefore, taking this into account, the decision on a particular research method approach is finally determined by three criteria. First, the method has to be compatible with the philosophical assumption of the researcher. Given the fact that many methods can be conducted under the postulate of different paradigms, as discussed earlier, alternatives exist. However, large-scale quantitative surveys, for instance, could then not be an acceptable choice, as they do not allow accounting for the criteria of interpretive research developed throughout this research. Second, it has to help answer the research questions. Finally, the research method has to be practical which means, for instance, data collection and/or generation should be feasible.

At the most basic level, Lewis (2003, p. 57) differs between naturally occurring data—such as observation, documentary analysis, conversation analysis and discourse analysis— on the one side and generated data—such as data produced by means of interviews and focus groups—on the other side. Tesch (1990, p. 58) provides an extensive list of approaches in qualitative research—such as action research, case studies, focus groups or participant observation—as well as many other approaches which refer to other conceptual levels or the fundamentals on which they rely, such as phenomenology. Tesch (1990, p. 58) further notes that occasionally ‘it is difficult to distinguish clearly between labels that denote an epistemological stance and those that refer to method’. Given the immense variety in qualitative research, this implies an urgent need to consistently reveal methodological aspects of research activity.

It became evident that many qualitative approaches share some main characteristics. The following section analyses the applicability of potential research methods.

4.4.2 Evaluating Potential Research Methods

According to Bryman & Bell (2007), the main methods for collecting qualitative data are:

- Ethnography and participant observation
- Interviewing
- Focus groups

- Language-based approaches to collecting qualitative data
- Collection of texts and documents

The study of Vyakarnam et al. (1997) has made use of focus groups, and Spence (1999, p. 170) has acknowledged it as an insightful approach. Furthermore, Steyaert & Bouwen (2004, pp. 144-145) acknowledge the usefulness of focus groups to generate complex and rich data, also with regard to SME leaders. Although this approach could reveal very informative results, it also has practical limitations with regard to the present research project. Since the study intends to focus on OM and MDs of SMEs, the process of negotiating access to potential firms revealed severe time restrictions of potential participants. Setting up and coordinating focus groups, hence, does not seem realistic. Since the topic of the research addresses sensitive issues, it can be further argued that group interviews/discussions may not lead to an open discussion and consequently may not be suitable to reveal the necessary information required to answer the research questions. Qu & Dumay (2011, p. 243) argue that ‘focus groups are not recommended for studying sensitive topics that people will be reluctant to discuss in public such as professional ethics or management remuneration’. Acocella (2012, p. 1134) provides a helpful discussion on their usefulness. Besides several weaknesses of the method, she also argues that participants are likely to adopt a defensive approach when dealing with fields in which they have scarce knowledge. This is likely to be the case for the topic of sustainability.

By the nature of the research object, ethnographic research and participant observation, as the core method, cannot be considered to be a realistic approach. However, Winkler (1987, p. 130) emphatically demands a ‘direct, systematic, replicable observation’ as there seems to be a severe lack of basic descriptive material (see Brannen, 1987 for another example of an ethnographic study). There is nothing that speaks against this argument despite, of course, specific limitations inherent to ethnographic approaches. However, this is probably a problem of every single research approach. With regard to participants that are hardly approachable, Hunter (1993, p. 45) writes that ‘participant observer studies of local community elites are more rare and disclose more tension in negotiating the research relationship’. While ethnographic approaches could indeed reveal an in-depth, and what Hunter (1993, p. 44)

describes as thick, description, it is not seen as practical and realistic during the given time period to get permission and extensive access to SMEs necessary for successful ethnographic research, as also confirmed later by the efforts to negotiate interview appointments.

In a similar vein, Winkler (1987, p. 134) reports massive problems negotiating access to the field for an ethnographic study on company directors. They indicate a high refusal rate of 85 per cent as only 19 companies of 130 contacted firms finally agreed to participate. Given the specific contextual background of German SMEs, which tend to be suspicious of externals, such an approach would have caused severe difficulties. Furthermore, the literature indicates that access to business elites, and managers of larger SMEs may also fall under this group, at least in a local context, has become more difficult in recent times, due to increased pressures from factors such as competition and globalisation (for example, Burnham, Gilland Lutz, Grant & Layton-Henry, 2008, p. 235).

Useem (1995, p. 24) emphasises the use of interviews for the insights they allow into the culture and organisation as well as the activities of executives and their firms and, hence, according to Harvey (2010, p. 193), contribute to the generation of novel and insightful data. One has to carefully take into account the limitations of qualitative interviews and may not consider them as a ‘taken-for-granted method’ (Eriksson & Kovalainen, 2008, p. 79). Nevertheless, interviewing has turned out to be the most appropriate method for data collection also, according to Moyser & Wagstaffe (1987, p. 18), in the case of managers. Finally, taking into account the immense options in the choice of research methods, Useem (1995, p. 20) reminds us that no method ‘is necessarily superior to the others, and the choice of one depends on the nature of the problem, the information required, and the resources available’. The appropriateness of interviewing in organisational research will be elaborated upon in greater detail in the following sections.

4.4.3 Types of Interviews

It has been frequently argued that interviewing can be, beyond doubt, seen as a major source of getting access to knowledge about all kinds of phenomena, whether we look at the media or social science research. Some even speak of an ‘interview so-

ciety' (Alvesson & Ashcraft, 2012, p. 239; Holstein & Gubrium, 1995, p. 1). Silverman (2011, p. 166) reminds us of the most obvious advantage of interviews—a method that allows a comparably economical way of generating knowledge regarding time and resources; although there is no direct access to an organisation's activities, people comment on what is going on.

Alvesson & Ashcraft (2012, p. 240) go on to argue that 'research interviews are deemed reliable gateways into what goes on in organizations'. However, they further comment that 'there is also much cause to challenge this easy portrait—to reflect on the fuzzy boundaries and muted politics that often characterize research interviewing, to question common reliance on interviews as transparent windows into the truths of organizational life'. Besides several critical points, which can be brought forward—such as whether participants tend to answer in a socially desirable way or if corporate representatives use such interviews as a public relations tool, in order to present the official firm politics rather than the actual internal situation—there is a need to develop a thorough theoretical understanding in an epistemological sense (Rubin & Rubin, 2012, pp. 14-15). This is necessitated because it is debatable, whether there is anything like 'a truth of organizational life' and whether it can be approached through interviews.

Generally, according to Kvale & Brinkmann (2009, p. 3), a research interview can be defined as 'a conversation that has a structure and a purpose'. 'It goes beyond the spontaneous exchange of views in everyday conversations, and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge. The research interview is not a conversation between equal partners, because the researcher defines and controls the situation.' Whether or not this is true for all interview situations is questionable. Managers may also try to take over a dominant position and control the interview situation. They move on to say, 'The interview researcher introduces the topic of the interview and also critically follows up the subject's answers to his or her question.' What has been described above is to an extent true for all research interviews, no matter whether they are conducted under a positivistic, post-positivistic or interpretive philosophical stance. For research interviews conducted under the postulate of an interpretive philosophical orientation,

King & Horrocks (2010, p. 3) suggest the following characteristics of a generic qualitative interview:

- It tends to be flexible and open-ended
- The focus is on people's actual experiences rather than general beliefs and opinions
- The relationship between the interviewer and the interviewee is crucial to the method

Different ways of conceptualising interview types exist, but there are many terms in the relevant literature without any generally accepted or clear-cut systematics (Gläser & Laudel, 2010, p. 40). Flick (2009, pp. 150-170), for example, uses the interview types (i) focused (an interview following a uniform stimulus, such as a film, to study the impact on the interviewee), (ii) semi-standardised (an interview guide is used to reconstruct the contents of the subjective theory on a specific topic), (iii) problem-centred (a method mainly used in German psychology in the context of biographical research), (iv) expert (a specific form of a semi-structured interview, used for people in a certain field of expertise), and (v) ethnographic (a combination of participant observation and complementary interviews). Rubin & Rubin (2012, pp. 29-31) distinguish more intuitively between (i) focus groups (a form of group interview), (ii) internet interviews, (iii) casual conversations, and (iv) semi-structured and unstructured interviews. While some categorise research interviews along the degree of standardisation—for example, structured/standardised interviews, guided/semi-structured interviews and unstructured/open interviews (for example, Eriksson & Kovalainen, 2008, pp. 80-83), others indeed suggest a typology more explicitly based on underlying theoretical assumptions of the different interview types (Alvesson, 2003, p. 14; Alvesson & Ashcraft, 2012, p. 241; King, 2004, p. 12; Roulston, 2010, pp. 203-204; Qu & Dumay, 2011, p. 240).

It is important to be aware of the interpretive nature of this research. Therefore, a personal semi-structured interview approach has been chosen that allows openness, but also covers all major themes. A detailed discussion of the applied interview approach will be given in the subsequent sections.

4.4.4 Sample and Strategy for Fieldwork

Given the research philosophical orientation as well as the research objectives, this work does not claim any representativeness or generalisability in a statistical sense. Considering that the interview situation is a highly individual and social interaction, it is unlikely that objective data, which represent a universally accepted truth that can be simply collected by the researcher, can be gathered. Furthermore, taking into account the heterogeneity of SMEs as well as the limited availability of data on SMEs, generalising hardly is possible, especially for researchers independent of government bodies (Curran & Blackburn, 2001, pp. 65-66). This does not mean that conclusions of this research per se cannot be applied to other settings, for instance, by means of an analytical generalisation (Kvale & Brinkmann, 2009, pp. 262-265). However, what has been outlined above simply indicates that generalisability is not an objective of this study.

Curran & Blackburn (2001, p. 60) further indicate that there is no list containing all relevant SMEs, and this is also true for Germany. Therefore, it has to be acknowledged that the whole population of SMEs is unknown to the researcher. Hence, probability sampling is not a practical option (for example, Saunders et al., 2012, pp. 262-267). Instead, a form of non-probability sampling seems appropriate (Bryman & Bell, 2007, p. 197).

King & Horrocks (2010, p. 29) rightly suggest that diversity is an important criterion for sampling in qualitative research, and Rubin & Rubin (2012, p. 53) indicate that participants and organisations, must be relevant to the research questions. Hence, it seems that purposive sampling offers a useful approach for compiling a sample that can address the research questions (Flick, 2009, pp. 122-123; Saunders, 2012, p. 41). Saunders (2012, p. 42) further indicates that heterogeneous purposive sampling provides the possibility to consider sufficiently diverse characteristics of participants, although it has to be stated that there is no intention to construct some sort of maximum variation sample. Convenience and snowball sampling have been used to a minimum extent. The following section discusses the nature of the compiled sample.

4.4.4.1 Nature of the Sample and Participants

The focus of this research is on manufacturing SMEs located in Baden-Württemberg. Manufacturing SMEs have been chosen for several reasons. First, the literature implies that firms involved in manufacturing tend to be more aware of sustainability issues as their operations, by their very nature, have a greater impact on the environment (for example, use of resources, energy) as, for instance, service sector players (for example, Bradford & Fraser, 2008, p. 167; Holland & Gibbon, 1997, pp. 11-12; Jenkins, 2006, p. 247). This also leads to the fact that their operations have greater negative impact, compared to other sectors, on the environment. This may support the assumption that manufacturing SMEs are involved in sustainability practices. Second, the manufacturing industry, historically grown, plays a major role in the economy of Baden-Württemberg (Statistisches Landesamt Baden-Württemberg, 2013, p. 37). It has to be stated that the objective is to not only study best practice exemplars, as for instance done by Jenkins (2006), but also the ‘ordinary’ SME in the sector since this perspective still is underexplored (Boiral, Baron & Gunnlaugson, 2014, p. 380). Germany, especially the Baden-Württemberg region, has been chosen because the researcher has detailed knowledge on this region. This may increase the understanding of the researcher of the contextual and cultural factors, leading to a more comprehensive analysis.

It has been decided to interview OMs, MDs, senior managers, and high-level executives of SMEs for different reasons. First of all, in a similar vein to the argumentation of Kincaid & Bright (1957, p. 305), it can be assumed that the executives have a fair knowledge of the entire range of operations within a company (see also Healey & Rawlinson, 1993, p. 346), which is especially important as sustainability issues are very likely to be covered by different functional departments as, for instance HR, production and sourcing. However, on the other side, of course, there might be a certain lack of detailed, specific knowledge regarding single issues, which fall under the scope of trained staff, such as energy managers. Likewise, Useem (1995, p. 25) supports the significance of high-level executives when the objective is to understand the organisation as well as its relationship to other groups. Specifically, he notes, ‘For this, there are no better placed nor better informed than the executives themselves.’

Furthermore, restricting to high-level executives ensures a higher comparability of statements within the data as well as findings derived from the data. Finally, it is widely reflected in literature (for example, Burton & Goldsby, 2009, pp. 99-100) that, for instance, OM's translate their attitudes and beliefs quite directly into concrete actions within the firm. Moreover, Carr (2003, p. 15) argues that there is no separation between the sphere of work and social life, and this consequently leads to a point where, given the predominance of owner-managed firms, business behaviour is inseparable from personal conviction (Fuller & Tian, 2006, p. 288) and, hence, it can be assumed that they create some kind of moral climate in the company, which also affects the actions and practices of managers and employees in larger SMEs. Hence, if the aim is to understand the behaviour of SMEs, one has to speak with OM's or other high-level executives, which may also translate their beliefs into the practices of a company.

Furthermore, Burnham et al. (2008, p. 237) point out that interviewers may find themselves placed in a public relations initiative when interviewing executives in firms. This might be a problem, especially with research focusing on large firms and/or on lower and middle management. Hence, it is argued here that when interviewing OM's who have partly built the business from scratch and partly have a technical background, people who spend most of their lifetime to keep the business running tend to be more willing to report an honest account of their life and business rather than providing some well-developed public relations story, as managers of a public relations department do. It was also this belief which led to a refusal to interview managers of marketing or public relations departments.

It has to be noted that MDs who have not founded the respective firms have been interviewed, but nevertheless it was felt, that during many interviews, participants were interested in providing an honest account of their views. In a somewhat similar vein, Gusterson (1993, p. 63) notes, 'The laboratory's public relations personnel were polite, friendly, and profoundly unhelpful in response to many of my requests in studying their institution.' Although not directly comparable to this research, as the focus of Gusterson (1993) was on a nuclear research institute in the US, this may support the argument that talking to public relations staff might not have been helpful in addressing the objectives of this research.

4.4.4.2 *Identifying and Selecting Potential Participants*

Odendahl & Shaw (2002, p. 305) indicate that a first step is to locate potential participants. Unfortunately, there is nothing like a general list of SMEs in Germany, containing all relevant attributes necessary to identify and choose appropriate potential participants, that is freely accessible. However, there is a list of the Chamber of Industry and Commerce in Baden-Württemberg. Despite negotiating access to the full dataset of the list, access was not granted since the list is available for use by member firms for commercial purposes. However, this list is partly accessible on the internet.⁷ This database allows searching for firms based on different parameters, such as region, size and branch. Each search results in a randomly compiled list consisting of 30 firms. Firms identified based on that list have been further individually checked to determine, if they meet the criteria for the inclusion discussed above. First of all, these criteria help decide, whether or not a firm can be considered to be an SME in the context of this research. Second, further criteria have been applied in order to generate a meaningful sample, which will be addressed below. This exercise has been repeated numerous times till a list of about 180 firms was compiled. The process was stopped after a certain repetition was experienced. Additionally, firms known to the researcher have been included in this list.

It has to be stated that manufacturing firms with different foci have been included in the sample and not only SMEs producing machines, even for a specific sector. Manufacturing SMEs in rather general terms have been addressed manufacturing different sorts of products, such as different sorts of machines or different sorts of metal parts serving different industries. This allows a certain comparability within the sample while at the same time providing data on the manufacturing sector more generally and, hence, may indicate variations across different types of firms. Furthermore, the intention was to include SMEs that fulfilled some further attributes. For instance, Koironen (2002, p. 181) indicates that old Finnish family firms, which survived more than 100 years in business, seem to follow some informal moral guidelines as attributes like honesty and credibility have been ranked at the top, even above aspects like obeying the law or hardworking. This has resulted in the question

⁷ See <http://www.bw-firmen.ihk.de/sites/fitbw/welcome.aspx>.

of whether there might be a difference between older firms and the more recently founded ones. Alternatively, are there any indications of, for instance, younger firms being more modern and, hence, incorporating sustainability aspects more intuitively? Moreover, gender may have an influence. According to Godfrey (1995), female managers are more aware of balancing profit and community issues (as cited in Uhlaner et al., 2004, p. 187).

These indications make it necessary and valuable to consider some few more attributes, such as age, size, the manager's gender, or whether the firm is engaged in sustainability issues as indicated by its website. However, following King & Horrocks (2010, p. 29), it is wise to select a sample not on the base of too many different aspects, given the relatively small sample sizes in qualitative research. Nevertheless, it is felt that the aspects discussed above provide the possibility of generating a valuable sample that may lead to interesting and novel insights into the world of SMEs, but is still practical. It is important to keep in mind that, given the heterogeneity of the SME sector, there might be many differences in the sample over which the researcher has no control as they are not identifiable. For example, the issues discussed by Smith (2006, p. 646), who indicates that it might be important to consider the people who influence decision-makers, but are invisible to the researcher at first. Other aspects might be tolerated for the purpose of convenience, given the limited access to SMEs.

For this reason, an overview on the attributes of the participating SMEs is provided in the appendix (see appendix 9). With regard to the regions in which the participating firms are located, it has to be stated that most of the firms come from the areas of Karlsruhe, Stuttgart, Pforzheim and Heilbronn; this will also become more evident later (see section 5.2.1.1). The issue is not expected to cause considerable differences with regard to interview responses as the regions are not that far away from each other and, hence, the overall mentality of the people is similar. Besides, there were participants who did not live in the locality of their firms. Therefore, this issue also cannot be controlled and, hence, the location of the firm was rather an issue of convenience rather than actively managed although it was important for the researcher to not choose firms of a very specific region only because it could skew the findings.

A very time consuming exercise was to identify the right participant, when the company's website indicated several MDs. This is also reflected in Healey & Rawlinson (1993, p. 346), who argue that 'identifying the business owner or manager can be problematic in some situations'. This is especially true in the case of SMEs. It often requires immense efforts to get information on the field of responsibility of MDs of SMEs as the focus was on managers in charge of all operations in the firm or, preferably, in charge of administration and not, for instance, of R&D or marketing. This entailed first convincing the OM to participate regardless of his functional speciality. If no owners were approachable, the plan was to convince MDs responsible for business or commercial themes, shaping the organisational and cultural nature of the firm. In order to collect information, company websites, the internet in general, business social networks, like LinkedIn or Xing, as well the electronic Federal Gazette were used. However, it has to be stated that SMEs underlie different disclosure obligations depending, for example, on size. Welch, Marschan-Piekkari, Penttinen & Tahvanainen, (2002, p. 620) indicate that sampling participants in SMEs and larger corporations cause distinct challenges. According to them, negotiating access to SMEs tends to be more informal, including fewer gatekeepers, in comparison to large firms. The gatekeepers were assistants to managers, but also frequently receptionists as there were no personal assistants.

4.4.4.3 Negotiating Access

Potential participants were approached by post, with a letter providing a brief summary of the research project and information on the nature of the interview as well as a statement that no preparation is necessary and that the researcher is interested in the views and opinions, among others, of participants (see appendix 7). After that, potential participants were contacted over phone for scheduling appointments. Most participants were approached 'cold'.

Less than a third of the interviews was arranged by personal contacts or snowball sampling. In total (pilot study + main study), seven interviews could be arranged through personal contacts. One interview appointment was arranged through a contact of the direct superior of the researcher, two through colleagues, one through a former fellow student and two interviewees are known to the family of the researcher. Moreover, the first pilot study interview with an OM was conducted with a

member of the faculty with his own firm. Furthermore, three interviews with firms could be arranged by snowball sampling. The overall sample consists of 32 interviews. As will become more evident later in this thesis, three interviews were conducted in the course of the pilot study and 29 as part of the main study.

The following section provides an overview on the interview guide and the questioning technique applied in the interview study.

4.4.4.4 Interview Guide and its Application

Seidman (2013, pp. 94-95) argues that interviewers using an interview guide should avoid manipulating their participants so as to not impose their own views on the topic on the participants' experiences (see also Trinczek, 2009, pp. 225-226). He recommends using interview guides with caution. From the point of the researcher, using an interview guide does not necessarily destruct the possibility of participants to provide rich, reflective accounts of their views on the topic under research. However, it ensures all relevant themes are covered and yet allows the flexibility necessary to enable the participant and the researcher to identify and pursue novel areas. However, this requires a carefully designed interview guide as well as being attentive and sensitive during the interview.

According to Kvale & Brinkmann (2009, p. 130), there may be interview guides structured less tightly, just containing some main themes important to cover, others may consist of a detailed sequence of carefully formulated questions, depending on the epistemological orientation of the researcher. King (2004, p. 15) suggests that the typical qualitative interview guide consists of a number of themes with suggested questions as well as possible probe areas, which may be used to follow up responses of the participants to achieve more depth. This is the approach used for the interview guide as will be shown.

King & Horrocks (2010, pp. 35-36) suggest three main sources upon which themes of an interview guide can be identified. First, a theme could be based on personal experience, both first-hand and anecdotes of other people. Second, it is possible to consult the research literature, and finally informal preliminary work on the research area, such as discussions with colleagues are possibilities on which themes can be

identified. It has to be stated that themes included in the interview guide were mainly derived from the research literature. The development of the guide started by generating and collecting questions which seemed to be interesting in the light of the research questions. This collection was at the beginning a rather unsystematic list of questions. Through reflections, the questions were refined, partly skipped and new ones added. Based on the questions, main themes have been developed and the questions allocated respectively. This process lasted several weeks, including pauses, consulting the literature till an interview guide had been developed, which seemed to be coherent, logical and practical to the researcher. It has to be mentioned that at the end of the process, the researcher felt that the interview guide could work, but it was an intuitive feeling rather than any hard facts being applied to evaluate the guide.

King (2004, p. 15) further reminds us that the development of the interview guide does not end after having started with the first interview, but is an on-going process. However, given the comprehensiveness and detail of the interview guide, only very few refinements were necessary, such as introducing general questions about SMEs providing a richer context, such as to ask for a discussion on the characteristics of SMEs or on cooperation with large corporations. The practicality of the interview guide was supported by the pilot study. The final interview guide included the following main themes:

- Context and personal details of the participant
- Awareness of sustainability issues
- Understanding of responsibility towards society, and motivation
- Areas of concern and practices
- Management approach
- Drivers and barriers
- Understanding of concepts and terminology

Spence (1999, p. 170) has proposed using ‘a relatively unstructured interview approach which allows open discussion’. Alvesson (2011, p. 53) emphasises the flexibility of an interview guide. He states, ‘Interesting emerging themes can call for the sacrifice of obtaining responses to all the questions prepared by the researcher.’ This is indeed a true observation as every interview is a highly specific and individual.

This implies that usually not all prepared questions can be followed up, some are covered by responses to other questions while others may not be useful due to the personal worldview of the participant. This issue can at best be explained by providing the following excerpt from the interview guide.

II Awareness of sustainability issues

1. Could you please indicate major challenges your firm is facing?

- Economic issues?
- Societal issues?
- Environmental issues?
- How do you approach these challenges? Could you please give an example of your choice and describe it?

2. What do you think are the major challenges society is facing?

- Is there a relationship with your firm?
- Do you integrate these challenges in your way of doing business?

3. In media, it is frequently stated that firms and entrepreneurs should also have an obligation to care about the wellbeing of society or community. Do you think so and what could that be?

Table 12: Excerpt from interview guide

(Source: own illustration)

This excerpt is aimed at addressing the theme ‘awareness of sustainability issues’ by three questions. However, depending on the answers to the first question and the attitudes to sustainability issue, it was then decided whether it is worth to continue with the second question or continue with a question focusing more on business issues. Another point is that frequently questions on the management approach have been covered implicitly by responses to other questions and by their nature not all listed prompts have been used. Finally, it has to be stated that the wording of the questions may have varied, as these have not been read out to participants. This would not have been contributed to the conversational nature of the interviews, but of course the wording was similar across different interviews. Hence, each interview indeed is very specific and individual.

Alvesson & Ashcraft (2012, p. 248) indicate that sometimes large variations in the interview protocol may be difficult to explain and justify as loosely structured qualitative research ‘often relies on a good deal of intuition and hermeneutic readings, which cannot easily be translated into traditional procedural language’. This may reduce transparency and may also complicate data analysis, compared to more structured approaches (see also Eriksson & Kovalainen 2008, p. 82). However, here it is felt that a justifiable compromise between flexibility and consistency has been applied.

Each interview started with a brief introduction of the researcher (academic and institutional background, nature and aims of the research project, nature of the interview). At the end of the interview, the participant was asked whether he/she had anything to add or if there are themes or questions that remained open during the interview. The aim of this exercise was to increase trust and build rapport with the participant as well as give the participant the chance to comment on the topic and the interview itself (Rubin & Rubin, 2012, pp. 107-108 and 112-113). From Kvale & Brinkmann (2009, p. 132), the idea to draw a table that relates the research questions to the interview questions was borrowed. This looked like it had considerably helped to critically reflect on the developed questions. The result can be found in the appendix (see appendix 6).

It is self-evident that interviews have been conducted in German language. As Kvale & Brinkmann (2009, p. 131) indicate, there are questions advancing the topic thematically. This means producing knowledge and questions advancing the dynamics of the interview, and keeping the flow of the conversation going. The questions have been ordered in the way that there is a logical sequence between them in order to support the flow of the conversation. However, depending on the responses of the participant, the structure of the interview varied. Alvesson (2011, p. 53) indicates that questions tend to be relatively open. The questions, hence, are open-ended, so participants can disclose their views indirectly, then becoming more direct in the course of the interview. Probes then have been applied where necessary and useful. If an important aspect was not addressed properly, the researcher tried to resume this aspect at a later point in the interview by using a differently worded sentence or con-

text of the question. No interview questions were submitted to participants prior to the interviews.

Finally, each interview was denoted a token indicating the type of the study (PS = pilot study, MS = main study), the number of the interview and then followed by the date when the interview was conducted. For instance, the interview with token MS015_20140617 indicates that the interview is part of the main study and it was the 15th interview conducted on 17 June 2014. Furthermore, in the course of analysis and discussion, each interview will be given a name, such as company A. For the sake of confidentiality, attributes of the firms and participants will only be provided to the extent that anonymity is ensured.

The next section goes on to more concretely discuss the sample used in this research and, hence, provides a discussion on the pilot study conducted in the course of this research.

4.4.4.5 Pilot Study

Most of the literature on research methodology agrees that piloting is a part of good field research (Bryman & Bell, 2007, pp. 273-274; Silverman, 2013, p. 207; Yin, 2011, p. 37), especially in foundationalist approaches (Easterby-Smith et al., 2008, p. 143). However, others write that ‘in qualitative approaches pilot studies are not necessary because the research has the flexibility for the researcher to learn on the job’ (Holloway, 1997 as cited in Pritchard & Whiting 2012, p. 339). However, this thesis follows those scholars who recommend doing a pilot study. Nevertheless, with regard to more unstructured approaches, there seems to be a lack of guidance in literature (Pritchard & Whiting, 2012, p. 339; Sampson, 2004, pp. 394-395).

Caine, Davison & Stewart (2009, p. 506) highlight the usefulness of pilot studies in qualitative research and understand ‘preliminary fieldwork as encompassing the formative early stages of research in the field that allow for exploration, reflexivity, creativity, mutual exchange and interaction through the establishment of research relationships with local people often prior to the development of research protocols and ethics applications’. Peabody et al. (1990, p. 452) suggest conducting pilot interviews with friends and colleagues, in order to have an idea of whether the inter-

view guide is working and testing the time needed to run the interview. Here, it became evident that access to potential participants is extremely valuable. Thus, extensive pilot studies seem faintly possible, but not piloting would lead to lower quality research.

The pilot study within this research includes three interviews. One interview was conducted with a fellow PhD student also researching on SMEs, and further interviews have been conducted with an OM and a MD of SMEs. The following table provides an overview of the nature of the interviews:

| Name | Token | Position | Location | Duration |
|-------------|----------------|-------------------|-----------------|-----------------|
| n/a | n/a | PhD student | External office | 25 min |
| n/a | PS001_20131218 | Owner-manager | External office | 52 min |
| Company A | PS002_20131227 | Managing director | Meeting room | 37 min |

Table 13: Sample of pilot study

(Source: own illustration)

For this research, the benefits of piloting were in developing a better understanding of the field in which the research is conducted, which may lead to richer qualitative data (for example, Caine et al., 2009, p. 507). The process of negotiating access turned out to be extremely challenging and time consuming. This experience prepared the researcher for a waiting period with many refusals to participate and sometimes frustrating moments, when, for instance, after countless calls over several months and promises that a decision will be made till a certain date, an assistant to the OM simply indicated that there had been no decision, and asked for more patience.

Another benefit was refining the invitation letter, reducing the required interview time from 60 to 45 minutes, and more explicitly stating that there is no prior preparation necessary as experiences and meanings of the participants are central to the research. Sampson (2004, p. 399) argues that pilot studies are in particular of use in works using interviews as they could minimise researcher bias, finding out the best

ways of negotiating access as well as establishing, what she calls, good fieldwork relations. Furthermore, she notes that pilots could indicate gaps in the research design. Furthermore, Caine et al. (2009, p. 507) argue that pilots show whether the fieldwork is practical. Indeed, one main advantage is to refine data collection techniques, such as interview skills, which naturally leads to better quality data (see also Seidman, 2013, p. 42). However, one has to take into account that skills as a researcher develop throughout the whole research project.

After having conducted the pilot, there was a phase of listening several times to the recordings, which may indicate necessary changes and refinements. It has to be noted that no explicit coding and analysis of the pilot interviews were undertaken, as suggested by Sampson (2004, p. 400). The aim was rather to develop an understanding of whether the research tool is working and whether the interview guide allows participants to produce useful narratives. For this, the pilot study worked well as especially the interviews with two SMEs indicate that participants were enabled to provide lengthy reflections. The pilot further revealed that no major changes to the interview guide were necessary. A reason for that is that the researcher invested considerable time and reflections to develop a sophisticated interviewing approach.

From the point of the researcher, the pilot study was useful although the sample size was rather small. Nevertheless, it allowed developing an understanding of the field by not sacrificing too many interview options. The following section goes on to describe the main study of this research.

4.4.4.6 Main Study

The main period of the fieldwork took place approximately between January and August 2014, although negotiating access had begun several months earlier. During this period, all of the approximately 180 identified firms were contacted. Firms considered to be part of the main study were contacted through eight rounds of letters in order to make the telephonic follow-up process manageable. This procedure resulted in 29 interviews.

Negotiating access was challenging and time consuming, and the experiences in this project confirmed the contention of Curran & Blackburn (2001, p. 60) that execu-

tives of SMEs tend to be very reluctant to participate in academic studies, due to work pressure and time restrictions as well as scepticism towards academic research. The fact that a number of firms initially considered to be appropriate for the sample refused to participate logically needs careful reflection on how this impacted the sample and whether it could cause any over-representation of firms with certain attributes (Alvesson, 2011, p. 50). It must be stated in this context that, in order to prevent such a development, many potential participants were identified, including several options to account for the claimed modest diversity. Furthermore, the analysis is based on a fair number of interviews. However, with regard to the number of interviews, it has to be stated that there is no clear guidance in literature.

The discussion of Saunders (2012, p. 45) indicates sample sizes between five and approximately 40 interviews. Kvale & Brinkmann (2009, p. 113) note that a common sample size in interview studies tends to be about 15 \pm 10 depending on the purpose of the research and the resources available. Consulting studies with similar objectives and a comparable research approach indicate a great variety with regard to the number of conducted interviews. While conclusions in some studies rely on around 10 interviews (Jamali, Zanhour & Keshishian, 2009, p. 363; Sen & Cowley, 2013, p. 420), many studies were found to use a sample of between 20 and 30 interviews (Baumann-Pauly et al., 2013, p. 697; Dincer & Dincer, 2013, p. 180; Jenkins, 2006, p. 244; Lähdesmäki & Takala, 2012, p. 376; Spence & Rutherford, 2001, p. 127). Some few studies rely on much bigger samples using 50 (Battisti & Perry, 2011, p. 175) and 60 interviews (Tilley, 2000, p. 34).

Given the nature of the research project and reflecting on the advice of the methodological literature, the sample size used in this research seems reasonable and justifiable. The final number of interviews has been influenced by the emergence of new aspects, perspectives or thoughts, and as there was the prevailing feeling that additional interviews would not lead to substantial novel insights, no new interviews were arranged. The last interviews were characterised by a feeling of repetition. Hence, the sample size of this research is determined by some sort of saturation level, which indicates that no new substantial themes or information emerge from the data (Flick, 2009, p. 119; Saunders, 2012, p. 44).

For the sake of confidentiality, only rough figures and data will be provided as it should suffice to provide the context of the interview situations. With regard to the position, OM indicates that the participant owns the company or a part of it and is in charge or a part of the management. MD indicates that the participant is an external manager. The term executive implies a high level member of the management team, but not an MD. Given the ethical obligation of the researcher, anonymity of the participants had to be ensured by all means and, therefore, the above-described simplifications are seen as essential. A detailed overview of the participants and participating firms can be found in the appendix (see appendix 9). For a discussion of the sample, see section 5.2.1.

4.5 Data Analysis

4.5.1 Data Analysis Approach

It has to be noted that there are neither generally accepted standards nor a set of clearly laid out methods when analysing qualitative data (Spencer, Ritchie & O'Connor, 2003, p. 200; Yin, 2011, p. 177). One could argue that this represents a major disadvantage compared to the field of quantitative analysis, which is characterised by strongly defined routines. However, this lack of clear rules could also initiate novel and creative findings as researchers are forced to carefully think, analyse and apply logical reasoning to raw data (Curran & Blackburn, 2001, p. 103). The flexibility of approaches, thus, allows developing analyses specifically tailored to the research context and objectives. This, of course does not allow an 'anything goes' approach. Here, it is argued that, as there are no specific rules or guidance, the researcher is explicitly forced to transparently reveal why his research and the findings are rigorous and credible.

The analysis approach in this research is closely related to thematic coding. According to Braun & Clarke (2006, p. 79), 'thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data'. Here, especially the writings of King (1998, 2004a, 2012) on his approach of template analysis have been found useful in the course of data analysis. Template analysis is a relatively flexible approach that consists of applying and modifying and re-applying a template, or, more generally, a coding scheme (King, 2012, p. 429-430). Thematic analysis consequently includes some kind of ordering themes, sub-themes and codes in accordance to

how they relate to each other and this results in a hierarchical order or conceptualisation (King & Horrocks, 2010, p. 151). In this research a theme is understood in a similar vein like King (2012, p. 431) who usefully clarifies:

- A theme implies repetition and can usually be applied across several cases
- Themes are not independent to the researcher and are, hence, not objective facts, but discovered and constructed by the researcher
- Useful themes have to be distinct from each other, while some overlap might be inevitable

Moreover, Braun & Clarke (2006, p. 84) discuss the issue of semantic/explicit themes or latent/interpretative themes. The latter implies a more constructionist point of view as it is rooted in the analysis of the researcher. This research uses the terms theme, sub-theme and code, in order to describe different hierarchies. A code can be seen as a way of indexing or categorising a text that may result in a some kind of a thematic framework of thematic ideas (Gibbs, 2007, p. 38). In a similar vein, Dey (1993, p. 41) refers to classifying data as integral part of the analysis. A sub-theme, in this research is used to order different codes, which are related to each other in some way thematically and, thus, can be grouped. A sub-theme or several sub-themes then may constitute a theme. Therefore, some kind of hierarchy will evolve as a result of data analysis (Gibbs, 2007, pp. 73-74). This can be exemplified with the following excerpt:

- Environmental dimension (theme)
 - Activities (sub-theme)
 - Recycling (code)
 - Saving energy (code)
 - Saving resources (code)

Scholars argue that coding is not obligatory when doing qualitative data analysis (Attride-Stirling, 2001, p. 390; Grbich, 2013, p. 260). Coffey & Atkinson (1996, p. 30) also remind us that coding should not be carried out in a pure mechanistic and technical way as it does not alone equal analysis. As they point out: ‘Coding should be thought of as essentially heuristic, providing ways of interacting with and think-

ing about the data'. They go on to note that 'those processes of reflection are more important ultimately than the precise procedures and representations that are employed'. In this research, coding is understood as a technique that indeed allows and supports data reduction and analysing the meaning as well as reaching new levels of interpretation (Coffey & Atkinson, 1996, p. 30). There probably is nothing like a 'right' or 'wrong' set of codes as the systems can be conceptualised differently, depending on the background of the researcher, the research objectives or the nature of data gathered. However, it is important to note that codes are links between particular segments of data and the categories a researcher intends to use, in order to conceptualise the phenomena under study (Coffey & Atkinson, 1996, p. 45).

There are several frameworks attainable in the literature, which describe the process of data analysis (Ritchie, Spencer, & O'Connor, 2003, pp. 219-220; Yin, 2011, p. 177). According to Miles, Huberman & Saldaña (2014, p. 71), there basically can be distinguished between first cycle coding and second cycling coding, a systematisation developed by Saldaña (2013). While first cycle coding predominantly intends to summarise and condense the data and allows a first analysis, it is second cycling coding that aims at grouping the data into categories, themes or constructs (Miles et al., 2014, p. 86). King & Horrocks (2010, p. 153) offer a somewhat similar systematisation, which guided data analysis in this research:

- **Descriptive coding:**

- Read through transcripts

- Highlight relevant material

- Define descriptive codes

- Repeat for each transcript, refining descriptive codes in the course of progress

- This necessarily leads to a reduction in data, and often an inductively undertaken identification of interesting aspects (for example, Seidman, 2013, p. 119).

- **Interpretive coding:**

- Clustering descriptive codes

- Interpret meaning of clusters in relation to research questions

- Apply interpretive codes to all transcripts

- **Overarching themes:**

Derive key themes for whole data set by considering the theoretical stance of the research

Present and discuss the relationships between the levels of coding. This also includes various comparisons (Gibbs, 2007, pp. 77-78) and search for explanations; for example, explicit reasons, underlying logic or other empirical studies (Ritchie et al., 2003, pp. 252-257).

Prior to coding a database of all relevant data has been compiled (Yin, 2011, p. 182). Moreover, Miles et al. (2014, p. 84) remind us of the importance in developing and keeping up to date an extensive list of the coding system as well as their operational definitions and the how and why changes have been made. This can be seen as essential, in order to understand the analytical path the researcher has followed. For this reason, each change in the coding template has been recorded in the individual memo of each code. If a code was dissolved and distributed to other codes, the move was noted. The final template can be found in the appendix (see appendix 10).

Regarding the preparation of interview transcripts, it can be said that transcribing may lead to a close familiarisation with data (Mikecz, 2012, p. 488), but is extremely time consuming and the additional time necessary to produce high quality transcripts does not necessarily lead to a better understanding. Therefore, Seidman (2013, p. 118) states that the ideal way is to hire an experienced transcriber. Instructions of the nature and procedures of transcribing will then have to be defined, in order to ensure consistency of the transcripts. For this reason, it has been decided to hire a professional transcription service working after standardised transcription systems. For this research, transcriptions according to the system of Dresing & Pehl (2013, pp. 21-23) have been used as they provide clear guidelines (Dresing & Pehl, 2013, p. 20).⁸ Braun & Clarke (2006, p. 88) argue that when having used a transcription service, more time is needed to get familiar with the data. For this reason, each transcript was read several times and carefully checked against the audio recordings. From the point of the researcher, using a transcription service did not lead to a lower

⁸ The English-language versions of the transcription guidelines can be downloaded at: <https://www.audio-transkription.de/downloads.html>.

degree of familiarisation with the data but resulted in considerable research time savings.

4.5.2 Performing Data Analysis

The analysis of data in this research makes use of the 29 interviews of the main study as well as of the last pilot study interview since some interesting points were raised in the course of this interview. The points included a firm's transformational process aiming at a more structured and an organised management approach.

A very first step of data analysis was listening to the audio recordings after the interview was conducted. No detailed coding was undertaken in the data collection phase. The intention was to capture the overall sense and meaning of the interview, in order to avoid some of the pitfalls related with coding. This tends to be in line with Seidman (2013, p. 120) who calls for a separation of data collection and data analysis. The researcher went over the transcripts several times and simultaneously listened to the audio recordings. Failures and inaccuracies in the transcripts were corrected during this phase. Most of the inaccuracies occurred because of the dialects of participants or technical terms, and this required careful attention. There were only minor mistakes regarding the meaning and the over-all sense of the participants' statements. Nevertheless, every single transcript was corrected usually on several pages. This step ensured an analysis of high quality transcripts.

In this phase, potential interesting aspects and themes, were marked in the transcript and comments noted down. However, the intention was not to start coding but to get familiar with the transcripts and labelling potential important aspects. Here, it was sensed that not coding or going into too much details at the very beginning of data analysis helped grasp the overall sense and the meaning of the texts. This phase ultimately also resulted in summaries of each research interview, outlining the main content as well as highlighting potential themes and interesting questions. Thematic coding has been conducted by using the software package of MAXQDA, given the fact that, for instance, data management and revising the coding scheme, can be handled easily compared with coding on hardcopies of transcripts. Therefore, the software here was primarily used as a technical tool for organising the data and not as an instrument of analysis.

After having familiarised with the data, the next step focused on descriptive coding, although a clear separation of the different stages does not appear realistic (King, 2012, p. 429). With regard to this, it has to be noted that coding in the course of data analysis in this research was not undertaken with the intention to develop a highly sophisticated coding system for the sake of coding itself as a technical procedure as the various coding techniques propose (see, for example, Saldaña, 2013, p. 59), but the focus is on developing an in-depth understanding of the data.

While coding, it is obvious that an expansive list of codes develops. Some codes could be rather early grouped and associated with some sort of categories (for example, codes in relation to the theme environmental dimension), while for others, this was done at a later stage (for example, codes related to the theme ‘business practices and principles’) after a main revision of the coding template. At the beginning of the data analysis, minor changes, such as renaming codes or recoding parts of the transcripts, were made only to a rather small extent. Up to this point, the coding template was partly guided by the interview guide. After having coded 21 interviews, the researcher paused with the coding procedure. In the course of coding, the developed codes seemed to capture the content of the textual parts; however, there still was a large list of single codes not yet associated with sub-themes or themes. The researcher then decided to condense the coding scheme as well as to develop higher hierarchical and conceptual categories and themes before continuing to code the remaining interviews (interpretive coding and partly developing overarching themes).

In order to do so, the coded text of each code was again read and compared to each other. This included reviewing and recoding already coded transcripts to a great extent. This phase resulted in a considerable reordering and reconceptualisation of the coding template. In the course of this activity, the base for the final template was developed. A number of topics that were not related to the research questions were deleted, such as more generally describing the challenges for the firm or general relationships to suppliers. All this finally resulted in seven themes and one integrative theme (‘management approach’). The integrative theme allows a more in-depth comparison and an analysis of the management approach of SMEs regarding sustainability. This reconceptualisation lasted several weeks and required an intense

rereading and reflection on the meaning of each coded text passage. After that, the remainder of transcripts was coded according to the new template. It has to be noted that after the development of the new template, there were only minor changes necessary, such as renaming, reordering and also deleting codes, which are not directed to the research questions.

After having finalised coding, an Excel table was compiled that consists of all themes, sub-themes and codes, description of each construct (theme, sub-theme, code) and example quotes, which potentially seem to be useful to be included in the final research report. So, again, all coded text passages were read and compared against each other, in order to be able to select the most interesting and significant ones. Here, allowing the participants to speak for themselves was considered to be important (Seidman, 2013, p. 120). This also includes using participant quotes in the correct context. However, inevitably data analysis in general and the selection of quotes was affected by some kind of subjectivity of the researcher, which seemed to be unavoidable and, given the research philosophical orientation of the researcher, not problematic. The table was used to selectively translate the quotes into English and continue with the analysis and a write-up of the findings and discussion chapter.

Additionally, in some instances, complementary material, such as the website of the firm, was included in data analysis, but it has to be noted that limited useful public material was available. Occasionally, firms also provided the researcher with additional material, such as company brochures, recruiting material and company presentations. It has to be noted that few firms provided additional material and this issue has not been actively expressed as most of the documents tend to be public relations material and given the reserved nature of SMEs to externals, it is seen as rather unlikely that important internal documents could have been provided. Such information was treated as contextual, background information.

4.6 Ethical Considerations, Transparency and Reflexivity

Stokes & Wall (2014, pp. 212-213) note that the consideration of research ethical questions is an important issue aimed at avoiding harm for both participants as well

as the researcher. The research governance handbook of the University of Chester⁹ (p. 4) indicates the following aspects of good practice:

- Beneficence of research – ‘do positive good’
- Non-maleficence – ‘do no harm’
- Informed consent
- Confidentiality/anonymity

Moreover, Silverman (2013, p. 161) adds the principle of voluntary participation and right to withdraw. It is beyond doubt that the researcher does not intend to harm the participants. For this reason, absolute confidentiality and anonymity of participants and participating organisations are ensured, recordings and transcripts of the interviews are stored safely on the PC of the researcher (backup on an external hard drive). Audio recordings have been uploaded to a secured server of the transcription service, but have been already deleted by the service. However, data will be kept after the completion of the research project, in order to allow a re-analysis and re-focus of further research. Therefore, destroying data sets has not been promised to participants and was also not requested by them.

Prior to the interview, the overall nature and objectives of the research were introduced to the participants by the researcher. An informed consent form was adapted from the university template and approved by the university ethics committee. It was translated into German afterwards. This form was discussed with participants and signed by both parties. It has to be noted that research participants were experienced businessmen or women. That may indicate that they do not require any special treatment beyond standard ethical procedures. The focus of this research was on the professional sphere of participants, with private issues being addressed very rarely. None of the participants asked for withdrawal from the study.

Research ethical considerations also include issues regarding the quality of the research. Limitations of the study will be discussed in section 6.4. However, quality

⁹ This handbook can be found on Portal (the intranet of the University of Chester) and was used in its current version 2.8 April 2014.

does also touch the integrity of the researcher, which includes being truthful and transparent as well as avoiding dishonesty or data misinterpretation (Saunders et al., 2012, p. 231). As there are hardly any standard procedures in qualitative research, transparency on the research procedures is of eminent importance to the researcher, in order to ensure credibility of the research and its findings. For this reason, every step in the research process was discussed in as much detail as possible. Earlier it became evident that there does not exist one certain, external reality, but rather constructed realities (see also Crotty, 1998, p. 42-43). Here again, it is important to note that the objective of this research is not to analyse how this reality of participants and the researcher is constructed, but we certainly have to be aware that there might be multiple interpretations of the same phenomenon. Accordingly, positivistic quality criteria such as objectivity, validity, reliability or generalisability may hardly be applicable to studies from other paradigmatic fields, such as the present study (Lincoln & Guba, 1985, pp. 290-293; Poortman & Schildkamp, 2012, pp. 1729-1731).

Therefore, complementing the principle of transparency, especially reflexivity, is seen as an important point to consider. According to Stokes (2011, pp. 108-109), reflexivity deals with the fact that the researcher as well as the participants alike are likely to be affected by the process of research and this inevitably affects created data. The discussion of Bryman & Bell (2007, p. 712) further reveals that reflexivity also involves being aware of any implicit assumptions, values or beliefs, as this naturally affects the nature of the research (see also Stokes & Wall, 2014, p. 99). Johnson & Duberley (2000, pp. 178-191) indicate that there might be several understandings of reflexivity affected by the paradigmatic beliefs of the researcher. With a special focus on interviews, Alvesson (2011, p. 106) describes reflexivity as the ‘conscious and consistent efforts to view the subject matter from different angles, strongly avoiding the a priori privileging of a favoured one, including a focus on the details of texts’. This very much involves a continuous process of critical reflection of all aspects of the research process (what kind of knowledge is produced, how is the knowledge generated, aspects of the participants and the researcher) (Guillemin & Gillam, 2004, pp. 274-275). Regarding the nature of knowledge, sufficient information has been provided (see chapter on research philosophy and methodology) or will be provided (see limitations in section 6.4).

The overall aim of this research is to increase an understanding of how and why SMEs in Baden-Württemberg consider issues that could be linked to sustainability and responsibility. There are no commercial interests; the motivation to undertake research in this area is rooted in the personal interest of the researcher. The researcher certainly shows a personal affinity to aspects of sustainable development and its components as well as to the field of SMEs. This requires careful consideration and critical reflection. Consequently, shorter phases in which the researcher stepped back from this research project and focused on other projects (for example, other research projects or teaching) were used to ensure critical distance and avoid operational blindness. Moreover, critically evaluating and reflecting on each step of the research procedure was undertaken. This, for instance, resulted in lengthy reflections on constructing a sample, developing an interview guide and interviewing participants. However, it is important to note that findings and conclusions drawn in this research might suffer under certain subjectivity, as research can be defined as the construction of knowledge (for example, Guillemin & Gillam, 2004, p. 274), as is true, either implicitly or explicitly, for all paradigms. Considering the research philosophical orientation of this research subjectivity to a certain extent cannot and shall not be avoided and, thus, does not represent a major problem (see for that Kvale & Brinkmann, 2009, p. 270) as far as there is no negligent or conscious misinterpretation of data.

4.7 Chapter Summary and Implications

This chapter provided a concise discussion on research philosophical and methodological issues, and presented a detailed discussion and rationalisation of the applied research approach. This can be best summarised by using the elements of the research pyramid (paradigm, methodology, methods and techniques) according to Jonker & Pennink (2010, p. 23). First of all, it can be subsumed that this research is underpinned by an interpretive, constructionist research paradigm. The researcher does not believe that there is something out there that can be seen as an external reality that simply can be grasped. Instead, it appears that every entity individually perceives and constructs his/her own reality at least to a certain extent. The research field on sustainability and responsibility is moreover characterised by an immense plurality of understanding and normative concepts, and SMEs exist in many different forms and are characterised by a substantial heterogeneity. Additionally, it be-

came evident that SMEs are mostly shaped by their (owner)-managers and, therefore, it was decided to approach them as potential participants. Moreover, a personal contact to the research participants and their context was considered to be very important because of the potential impact of contextual factors. It also gave a level of sensitivity to the research topic. The philosophical worldview of the researcher and the nature of the research field may lead to an interpretive, qualitative research methodology that allows an in-depth, detailed and comparative examination of the phenomena under study.

Regarding the methods and techniques applied in this research, it has to be noted that after carefully evaluating different choices of methods (focus groups, participant observation, research relying on secondary data, etc.), an interview approach was given preference, in order to create empirical data. After having conducted a pilot study, a semi-structured interview approach was supported since it allowed, on the one hand, flexibility to follow new and emerging patterns that one was not aware of prior to the fieldwork and, on the other hand, ensured that all relevant topics were covered throughout the interviews. It appeared that with only very few exceptions, the interviews created useful data which helped answer the research questions and also led to new themes whose significance was not known prior to the research. The data has been analysed by a thematic analysis approach related to King's (2012) template analysis.

5 Findings and Discussion

5.1 Aim of Chapter

The aim of the chapter is to provide a detailed presentation and critical discussion of the findings of this research. To begin with, it seems worthwhile to provide a brief overview on the varieties of presenting qualitative research findings and how the following sections will be organised (Guest, MacQueen & Namey, 2012, p. 254). King (2012, p. 446) describes three possible ways of organising and illustrating findings of a qualitative study:

- A set of individual case studies, which is then followed by a discussion of differences and similarities
- An account structured around the main themes identified, drawing illustrative examples from the transcripts
- A thematic presentation of the findings, using a different individual case study, in order to illustrate each of the main themes

White, Woodfield & Ritchie (2003, p. 293) remind us that there is nothing like a single model or generally accepted approach of structuring the presentation of qualitative findings and this offers flexibility considering the nature and the objectives of the research (see also Eriksson & Kovalainen, 2008, p. 283). Although, the interview transcripts are characterised by a considerable depth as well as plurality of information, displaying them as individual case studies may not be practical. Using a different individual case study, in order to exemplify the main themes does also not seem to be a practical approach, given the data plurality.

King (1998, 2004, 2012) indicates that a discussion along the main themes is a useful and widely used approach for presenting qualitative results (see also Rubin & Rubin, 2012, pp. 220-221). Given the nature of the study, this approach was also applied here. King (2012, p. 446) reminds us of the danger that this form of presentation may lead to a quasi-generalisation of findings, loss of context and individual experiences of participants. This certainly can be seen as a weakness. However, as Yin (2011, pp. 196-197) illustrates constant comparison, searching for negative cases as well as engaging in rival thinking is an important part of data analysis, and this is certainly also reflected in this chapter. Moreover, when using this approach, it

sometimes might be difficult to relate the discussion of themes to the research questions. For this reason, a concise summary of the findings in the light of the research questions can be found in the conclusion (see section 6.1).

Text extracts from transcripts are considered to be an important part of a qualitative study since they allow presenting detailed accounts (views, meanings, experiences, etc.) of the participants (Yin, 2011, p. 234), and can be compared with extracts from other transcripts and literature, in order to reach a higher level of interpretation (Seidman, 2013, p. 129; Stokes & Wall, 2014, p. 188). It has to be taken into account that interviews have been conducted in German language. In order to be able to provide extracts of the transcripts, extracts have been translated into English by the researcher. However, by doing so it was carefully checked that translations are regarding their content, meaning and overall nature as close as possible to the German origin. Shorter quotes will simply be cited in the course of the text, longer quotes will be indented for the sake of better visualisation and reader-friendliness. Additionally, the discussion makes use of tables, matrices and figures, in general, as examples by various scholars indicate (Grbich, 2013; Miles et al., 2014; Nadin & Cassell, 2004).

The subsequent sections provide some demographic information on the sample as well as information about the final template (for example, King, 1998, p. 127) developed throughout the analytic endeavour and, hence, also guides the following discussion. The remainder of the chapter is then structured around the main themes identified in data. This discussion focuses first on general aspects developing an understanding of the personal attitudes of participants and characteristics of ‘Mittelstand’ firms providing rich context to the study. Afterwards the societal embeddedness of SMEs, employees, natural environment, motivational aspects and business practices are presented and critically discussed in detail. The chapter ends with a discussion on the management approach regarding the sustainability and responsibility engagement of participating SMEs.

5.2 Presentation of Findings and Discussion

5.2.1 Some Demographic Information on Sample

This section compiles some simple demographic data on the sample firms and participants as contextual and background information, although naturally it has to be noted that the focus later on is to provide rich accounts and descriptions of the participants (Yin, 2011, p. 235). The information provided here is a synopsis based on the table describing the sample, which can be found in the appendix (see appendix 9). Nevertheless, this is seen as useful complementary information and facilitates empathising with the world of the participants.

5.2.1.1 *Information on Firms*

Regarding information on the 30 sample firms, it can be said that following the categorisation of Becker & Ulrich (2011), introduced earlier, the sample consists of one micro firm, 16 small (53 per cent of firms) and 13 medium-sized firms (43 per cent of firms). Most of the firms (21) operate in the field of mechanical engineering; this means producing tools and/or machines, which can be characterised as a very strong industry in Baden-Württemberg (Weber & Wehling, 2012, p. 123). Four firms can be considered as being active in the field of electrical engineering, producing electronic components, and five firms relate to diverse industries such as construction (1), consumer goods (1), service/construction (1), chemicals (1) and one firm has two divisions operating in consumer goods and mechanical engineering.

Concerning the age of firms, the sample can be grouped according to major historical and societal phases in Germany. The first phase comprises firms established not prior the year 1900 but before the end of WW2. 12 firms (40 per cent) can be allocated to this phase. However, most of the firms were founded between 1905 and 1930. The second group includes firms founded after WW2, but before the reunion of Germany (by end-80s and early-90s). In this period, 14 firms of the sample (46.67 per cent) were founded. Finally, the last group consists of firms founded after the reunion of Germany. Only four firms of the sample could be allocated to this group. Thus, most of the firms were already in business for several decades.

With regard to the location of firms, it has to be noted that firms are assigned to the closest larger city. So, this implies that firms do not necessarily have their headquar-

ters in the cities referred to in the following, but can be located in districts adjoined to these cities. The reason for this simplification is also to ensure anonymity of the participating firms and participants, which is seen as an essential point. Ten firms are from the area of Stuttgart (33.33 per cent), which also represents the capital of Baden-Württemberg and a major industrial centre in Europe. Seven firms are located in or around the city of Pforzheim (23 per cent). Six firms are from the area of Karlsruhe (20 per cent), which is relatively close to France and four firms are from the region of Heilbronn (13 per cent). The remaining three firms are located in different other areas. The following map provides a graphical illustration of the location of the sampled firms (main cities marked red) and, hence, also the research area.



Figure 8: Map of research region
(Source: extracted from Google maps)

5.2.1.2 Demographic Information on Participants

This section provides some descriptive information on the attributes of participants. It has to be noted that five of the 30 participants are female, of which three are OMs, one is a MD and one is an executive. This accounts for a proportion of 16.67 per cent. Generally, there is a very low percentage of women in leading positions in organisations, as identified by a report by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ, 2010, p. 7). The current political discussion on quota indicates that not much has changed since this report. However, with regard to SMEs, other studies indicate a proportion of women in high management positions of up to 20 per cent (Commerzbank AG, 2011, p. 15; PwC, 2014, p. 29). Thus, the proportion of female managers in the sample seems to be fairly typical for the SME sector in Germany. All participants are German and so other ethnic groups are not included in the sample. Most of them hail from Baden-Württemberg.

Regarding participants' age, the youngest participant is 29 (executive) and the oldest 76 (chairman of the advisory board). On an average, the participants are 55 years old and the great majority of them is between mid-to-end 40s and mid-to-end 60 years, as there are only very few outliers. Thus, it can be argued that most of the participants seem well-experienced businesspersons. Participants demonstrate some differences regarding their educational background. The following table provides an overview:

| | Business | Engineering | Combination | Total |
|------------------------------|-----------------|--------------------|--------------------|--------------|
| Professional Training | 5 | 2 | 1 | 8 |
| University Education | 12 | 6 | 4 | 22 |
| Total | 17 | 8 | 5 | 30 |

Table 14: Educational background of participants
(Source: own illustration)

More than half of the participants have a business background (56.67 per cent) and five of them completed a combined training of business and engineering. The literature partly indicates a lack of management skills in SMEs, and this does not seem to

be the case for the sample used in this research, at least considering formal education. In most of the firms, there is also a MD or high-level executive focusing on engineering. Eight participants have a background in engineering (26.67 per cent), two of them a doctorate. More than two-thirds (73.33 per cent) graduated from a university and only eight (26.67 per cent) completed a professional training (vocational training and further practical training). Two OMs in the sample started university education, but did not complete it and are, therefore, categorised under professional training.

With regard to the position of participants, the majority of them currently acts as OM (17 participants, 57 per cent) and, hence, owns the firm or at least a part of it. Nine participants are in the position of a MD (30 per cent). It seems typical for these firms that the owners and owning families determine the strategy of the firm through their participation on an advisory board. Thus, even in the case of external MDs, owners strongly influence business practices. This can be exemplified by the very brief quote of a MD (company H): ‘This simply also has to do with the fact that the family shows a very strong ecological orientation and we as entrepreneurs have inevitably translated this into action.’ The quote also indicates that some MDs may also see themselves in an entrepreneurial approach and not necessarily like an ‘external manager’, as also addressed by Burns (2011, pp. 14-15). Two participants (6.7 per cent) are chairpersons of influential administrative committees of the firms and formerly used to be OMs. Finally, two more participants are executives as described before. Thus, the sample consists of highly ranked decision-makers and can, indeed, be considered to be a part of an influential organisational and local societal elite (Bude, 2000, no page).

5.2.2 Coding Template

The coding template includes the constructs (themes, sub-themes and codes), and a brief description/explanation of each code and can be found in the appendix (see appendix 10).

It has to be noted that not all themes, sub-themes or codes can be discussed in the same depth, so inevitably this discussion has to be selective and restrict the discussion to the objectives of this research (King, 2004, pp. 266-267). This, for instance,

makes it unavoidable to restrict the discussion of the first two main themes and leave a more in-depth discussion and comparison with the entrepreneurship literature open for future discussions. Nevertheless, the following sections aim to grasp the very key essence of those themes.

Interviews began addressing more general issues of participants and SMEs (for example, objectives of the firm, challenges the firm is facing, etc.), and it is very important to note that the vast majority solely addressed pure economic issues during this phase and did not introduce sustainability issues. However, there is one exception. This is the theme ‘employee’, which will be addressed in section 5.2.6. If we take this as an indicator of the importance of sustainability issues, we probably would have to acknowledge that sustainability does not play a role for most of the participants in the sample. However, if this is the case, it will have to be shown in the following discussions and reflections.

5.2.3 General Personal Attitudes of Participants

The following section represents the first main theme derived inductively from the data. Here, the focus clearly is on issues of the personal sphere of the participants. Given the nature of the research project, it has to be noted that the focus was not primarily on personal issues of the participants or decision-makers in SMEs. Nevertheless, the interviews indicated some interesting attitudes, providing a richer picture and context and, hence, also serve answering the research questions. However, during the fieldwork, it was felt that there was a certain restraint while talking about personal issues and, obviously, most participant accounts focused on the professional sphere and the firm.

5.2.3.1 *Mentality of Owner-Manager/Managing Director*

This first sub-theme that could be identified in data addresses rather general characteristics of participants and provides some useful insights to their personal professional world.

A huge topic for them is what is called here ‘self-determination’, which describes the state of being responsible for oneself and the ability to decide for oneself can be regarded as a major motivation for what they do. The literature sometimes also re-

fers to this as ‘autonomy’, and the discussion by Chaston (2010, pp. 12-14) indicates that this is an important issue. This can be illustrated by a shorter quote of the OM of company AD. The participant states: ‘I am an entrepreneur. I want to do things, yes, I want to change things.’ This brief quote indicates that the participant indeed sees himself as an entrepreneur. Regardless the conceptual vagueness and variety of the entrepreneurship phenomenon and what its characteristics may be (Davidsson, 2004, pp. 2-6), the participant very much shows the desire to have the freedom to accomplish something and therewith also to change the current state and this wish can be regarded as an important entrepreneurial characteristic as indicated by the discussion of Storey & Greene (2010, p. 24). The underlying objective of this desire is not necessarily maximising profits. Economic aspects are an important issue for all participants. However, as the OM of company N puts it: ‘But personally, I am interested in other things. Personally, it is important to me that I can continue to decide freely.’ All in all, it seems that the issue of ‘self-determination’ is a key motivating factor for the majority of the participants.

Another prominent topic is a hardworking mentality; discipline and asserting themselves even in difficult situations. Those issues were marked with the code ‘assertiveness’. A hardworking mentality has also been identified elsewhere as a key value (Koironen, 2002, p. 185). The world in which many of the participants live can indeed be described as a world dominated by the firm and professional life.

Given the regional focus of this research on Baden-Württemberg, it has to be noted that there were marginal references of participants touching this special contextual background. Nevertheless, those few have been coded with the code ‘Baden-Württemberg context’. Interestingly, one participant describes his attitude towards growth as follows:

‘We do not want to grow and expand with might and main, but the orientation is traditionally Swabian. I tend to say, Do always what you can. Be careful not to overstrain yourself. This also equals the principle of sustainability. These are the basic conditions.’ (OM of company O)

This quote describes a modest attitude of the participant regarding growth of the firm. However, here the regional cultural background ('Swabian') is used to explain that the goal is not to grow at all costs, but simply do what is doable and not strive for a maximum of growth, whatever this might be (for example, sales volume, turnover or profit). So, this participant acknowledges that there is some limitation to what can be achieved or, more correctly said, to what should be achieved. This limitation is internal rather than externally imposed and strongly determined by the willingness of the participant to accept risk. He equals this self-imposed restriction to the principle of sustainability. For the participant, there seems to be a link between attitudes like modesty and issues of sustainability. The Swabian mentality of thriftiness is also reflected in the following quote of an MD:

'We have started energy management in a classic way, simply like Swabians do it. During the crisis in 2008-09 we said: Now we have to save everywhere.' (MD of company Y)

Again, this quote refers to the local mentality but this time in the context of saving energy and, hence, financial resources as well. It can be argued that attitudes like modesty or thriftiness are historically part of the culture of the local people (Bechtel & Lang, 1999, p. 18), but these may not allow judgements whether participants from other regions would be more or less aware of sustainability issues. Further, comparative work seems to be useful in this area, but these issues cannot be addressed by this research. Nevertheless, it is important to keep in mind that this research has taken place in a certain region when comparing the findings of this research with other studies. There also is very little information on whether sustainability issues play a role in the private lives of the participants.

The discussion above has provided some detail and contextual information from a rather personal perspective of the participants by addressing some of their characteristics. A widely discussed theme during fieldwork was the differences between SMEs and large enterprises, and how the behaviour of large enterprises affects smaller firms.

5.2.3.2 *Participants' Views on Large Enterprises*

5.2.3.2.1 *Large Enterprise Thinking and their Power*

Data indicate that many participants tend to have a negative or at least an ambivalent attitude towards large corporations. This attitude is apparent in many of the coded text parts. For most of them, it seems unimaginable to work at a larger corporation for various reasons—ranging from the corporation being extremely hierarchal organisation to an impersonal atmosphere. Additionally, for many of the participants, co-operation with large corporations is a challenging and often negatively afflicted situation as the nature of the business practices varies greatly between ‘inter-SME’ contacts and the contact of SMEs with large firms. Participant accounts describe their view on the nature of how large corporations function quite accurately. References to this topic have been coded ‘large enterprise thinking’ and imply that from their viewpoint, there seems to be a special way of thinking in large firms, which tends to be considerably different compared to the mentality in smaller firms. This certainly is not a new point, as it has already been acknowledged in literature (Penrose, 2009, p. 17; Welsh & White, 1981, p. 18). Issues here are a limited individual influence, no holistic overview on the firm or projects and little transparency, anonymity, domination of rules, structures and hierarchies, slow decision making processes and internal politics.

Thus, taking into account the above extracted key points, it becomes evident that they seem to be like an antipode to the more informal, personal and flexible approach which is often associated with SMEs, and this inevitably leads to problems in the relationship between SMEs and large corporations. An issue experienced by SMEs is the pure power or impact large firms exercise on smaller firms (coded ‘corporate power’). In this context, at least three issues can be distinguished. First, there is an extreme price pressure from large corporations. This is predominately the case in specific industries, such as automotive, but not exclusively, and in areas where firms do not have much scope for developing a niche position.

A second issue is that large firms dominate the negotiations between unions and industry associations about labour agreements, such as working time or increase of wages. Participants seem to have very limited influence during such negotiations. Given the limitations regarding resources and the price pressure from large firms,

generally agreed-upon wage increases may cause considerable problems to SMEs, as they usually are not able to increase prices respectively. The literature indicates a falling level of firms organised in employers' associations and therewith also applying per se a collective agreement. This is especially the case for smaller firms, which show a considerable lower level of membership (Haipeter & Schilling, 2006, pp. 26-28 ; Kreft, 2006, p. 120; Schnabel, 2005, p. 189). However, many firms¹⁰ still align their remuneration system according to what is generally negotiated, but experience a higher level of flexibility (Schnabel, 2005, p. 189).

A last aspect that shall be mentioned with regard to 'corporate power' is related to the visibility of large firms in media and beyond. It is widely discussed in literature that SMEs tend to be invisible to the general public (Jenkins, 2004, pp. 41-42; Lepoutre & Heene, 2006, p. 266). This situation is described by an OM in the following way:

'Do you know, it is like that, you do not see those in the dark. The big ones are always there and this is also unfair situation to the 'Mittelstand'. A large corporation decides to fire 1,000 staff because it does not work well at the moment for them; this is published as a very small notice. Well, mostly the works council is saying this. However, when they hire 2,000 or 3,000 persons, then there is a big fuss. Well, this is obvious. No one cares that we never really fired someone, except for bad conduct.' (OM of company X)

The participant describes that he has never fired employees due to economic reasons since it is typical for many large corporations, but this remains unnoticed by the general public as news on large corporations dominate the media and these firms understand very well how to disclose favourable information. Besides, other participants complained bitterly that business practices of large corporations negatively impacting smaller firms—for example, financially squeezing out smaller suppliers until insolvency—remain largely unnoticed by the vast majority of the general pub-

¹⁰ Between 40 per cent and 60 per cent of firms not applying a collective agreement align their remuneration system to the results of the collective agreement. Therefore, the literature indicates that about 86 per cent of employees in western Germany and 78 per cent in eastern Germany are affected by collective agreements (Schnabel, 2005, p. 189).

lic. Therefore, some SMEs in the sample decided to stop collaborating with large corporations or reduce the proportion of large corporations as customers.

5.2.3.2.2 *Nature of Collaboration*

The literature indicates that there are pronounced networks between firms in Baden-Württemberg (Berghoff, 2006, p. 268; Herrigel, 1996, p. 27) and Cost (2006, p. 229). In particular, it sees the usual cooperation and ties between SMEs and large corporations as one factor of success of the economy in Baden-Württemberg. However, the data do not indicate that there is a predominant theme of trustful cooperation between large corporations and SMEs; rather the contrary seems true.

This observation is also supported by Reindl (2003, pp. 254-255), who argues that a common trustful relationship between such firms has been terminated by, for example, large automotive firms. SMEs are treated like ordinary suppliers, while smaller suppliers aim at reducing their interchangeability as a consequence. An issue strongly related to the pressure exerted by large corporations seems to be the capital market orientation of large enterprises, which inevitably accompanies an increased pressure for profitability, both in the short-term and long-term perspectives. There may even be an incentive to act in a short-term-oriented way, as indicated by a US study by Graham, Cambell & Rajgopal (2005, p. 67), who conclude that ‘The majority of CFOs admit to sacrifice long-term economic value to hit a target or to smooth short-term earnings’.

This seems in stark contrast to SMEs, since almost all participants emphasised the desire to gain profits in a long-term manner and such firms are not predominantly understood as tools to maximise the wealth of the owners, as will become more evident later (see section 5.2.4.2). Nevertheless, an economic rationale naturally underlies the thinking of participants, as adequate profit is seen as the basis to develop the firm further. Being absent from the capital market, however, allows approaching targets with a much more long-term view. The statements of participants regarding the influence of capital markets on the behaviour of a firm have been coded as ‘effect of the capital market’. Participants equate a capital market orientation with a short-term focus on profits and the postulate of maximising shareholder value. The

short-termism of the shareholder value approach is specifically addressed by an OM in the following:

‘... therefore, I feel rather sorry for the managers of large corporations, because they are forced by the capital market to act in a way that probably does not provide pleasure for them, as they always have to show short-term profits, and to think in a long-term way and show short-term profits naturally is extremely difficult.’ (OM of company K)

The quote demonstrates the conflict that seems inherent to many public companies. Doing business should naturally include a long-term component; however, given the pressure of financial analysts, institutional investors, and so on, disclosure of increasing quarterly profits, and simultaneously maintaining and improving the long-term situation of the firm is very challenging. So, given the results of Graham et al. (2005), public firms inevitably have to sacrifice long-term potential to satisfy the short-term demands of investors. Additionally, the participant argues that this behaviour is externally imposed on the managers of large corporations. From the point of view of the researcher, this is a true observation and this other-directedness is strongly opposed to the autonomy and self-determinism of the OM and partly also of the MDs of many SMEs, as discussed earlier. An immense problem, therefore, is that large corporations pass on this pressure to increase profitability along the supply chain and this strongly affects SMEs, which tend to apply a different logic of doing business. A former OM describes this as follows:

‘The unnatural and excessive pressure of rate of return, to which the executive board is exposed in their market, at their stock exchange, is passed on throughout the organisation, in all directions, even to the purchase department.’ (Former OM of company Q)

The participant seems convinced that the financial pressure from the capital markets is neither natural nor reasonable. This is a major problem for many SMEs because they face extreme price pressure from their large customers, as indicated above, which can be explained by the self-enforcing dynamics of the capital market system. Participants frequently stated that product quality, technical specifications, and so on

are becoming less important in negotiations, as, for example, quality is assumed to be constant and the focus is overwhelmingly on the product price and discounts.

Participants partly state that the cooperation with large enterprises is experienced as arrogant (code ‘arrogant behaviour’) as well as characterised by a very limited personal relationship (code ‘keeping personal distance’). Quite the opposite seems typical when SMEs do business with themselves, as there indeed tends to be a personal relationship. This again indicates a massive contrast in the way of behaving and doing business.

So, given the experiences participants have partly had with larger enterprises as well as considerable differences in how both types of organisations function, it is not surprising that there is some scepticism towards large corporations. Some participants report that they usually do not hire employees from large corporations, while others seem to benefit from this.

The OM of company D argues that employees of large firms are extremely professional; thus, the company has hired several of them in the past. The high-tech context as well as the quick transformation of this firm, which includes doubling of the headcount, may make it necessary to buy certain competencies that the firm cannot develop on its own. However, this OM also reports experiencing tremendous problems between new and older employees, who have partly helped build up the firm from scratch. Some have even left the firm, as they can no longer associate with it. There seems to be a huge impact on the firm’s culture due to these new employees, which may also serve as a rationalisation why many participants tend to be sceptical.

Aragón et al. (2015, no page) report on a case where strong growth has negatively affected company culture and values such as trust, thus resulting in weak internal social capital. As a consequence, actively managing the integration process of newly hired staff with a potentially different value framework seems important in protecting and developing firm culture and, thus, social capital. However, Lamberti & Noci (2012, pp. 412-413) as well as Preuss & Perschke (2010, p. 546) indicate that such a transition phase is a normal evolutionary process in SMEs which ultimately results

in a mixture of informal and formal components that may describe the characteristics of larger grown SMEs (see also section 5.2.10.1).

The discussion above intended to provide a contextual framework of the world of the participants. This included issues regarding their personal characteristics which seem to be the basis for what they do and their motivation, such as being independent, but also how they experience collaboration with large corporations, how SMEs seem to be affected by the behaviour of large corporations as well as their general attitudes towards large corporations. Both sub-themes are of importance to answer the research questions. First, the personal motivation of a manager can be seen as an important driving force of the activities and practices carried out by a SME. Second, a potential pressure of large corporations as customers may limit the capabilities of SMEs to develop the firm further and also prevent considering issues that go beyond a pure economic rationale, such as the integration of environmental or social aspects in the decision-making scope of the firm. On the other hand, the standards and procedures required by large corporations (for example, environmental certifications) could force SMEs to implement such systems and therewith contribute to a more sustainable way of doing business.

However, if large corporations transmit yield requirements from their capital markets which lack any reasonable and long-term basis to their smaller suppliers, then this would make it difficult for SMEs to (i) withstand competition, but (ii) also have the flexibility to develop the firm further, and (iii) integrate a business logic that may be part of what is discussed in the literature under the themes of sustainability and responsibility.

5.2.4 Characteristics of ‘Mittelstand’ Firms

The literature provides some useful accounts that describe the fundamental characteristics of SMEs fairly accurately (for example, Burns, 2011, pp. 18-19; Krämer, 2003, pp. 19-21; Pichler et al., 2000, pp. 22-27), although the heterogeneity of the SME sector implies that not all characteristics can be applied per se to every firm in the sector (Curran & Blackburn, 2001, p. 60). Rather than present all the more general characteristics of SMEs identified during the fieldwork, the aim here is to selectively discuss those issues that are strongly related to the research questions. With

regard to this, the dominant sub-theme appears to be what is called a ‘long-term view’ and indicates that SMEs in the sample largely follow a long-term approach of doing business. As we have learned above, this approach may be in stark contrast to what is the norm in large corporations.

The fieldwork supports what has been identified in the literature as the characteristics of SMEs. By its very nature, SMEs can be described as having fewer hierarchical levels and may face considerable resource limitations (finance, knowhow, staff, time), but at the same time be much more flexible. Here, an OM paints the picture of a motorboat:

‘I do not know the exact order, whether this is correct, but first of all small, fast and agile like a motorboat, while the others are like tankers.’ (OM of company P)

Regarding the nature of tasks of employees in SMEs, there is an enormous range of working tasks. Hence, there tends to be much less specialisation, unlike what is observed among staff in large corporations. Additionally, there tends to be an ad hoc mentality and an informal way of working. Often, SMEs are associated with having a deficit of strategic planning (for example, Deimel & Kraus, 2007, p. 166). In this regard, the fieldwork tends to indicate that there are surprisingly several participants who are aware of the importance of strategic planning and seem to dedicate much of their work time to this issue. But for the majority, operational aspects dominate. SMEs in the sample tend to be reluctant in communicating externally but, at the same time, there is a certain internal transparency (for example, towards employees). What has been described above may certainly be a considerable oversimplification; nevertheless, it seems to capture the overall tone of what was experienced during the fieldwork and also corresponds to the literature on SMEs.

Remarkably, even larger SMEs in this sample, which may not be considered as SMEs anymore in other definitions, indicate that many of the points above also apply to them. So, overall, there seems to be a ‘Mittelstand’ way of thinking, which is captured well by the qualitative characteristics of SMEs, and firms which considerably exceed the size limits of the EU (250 employees) or the IFM Bonn definition (500 employees) may still be considered as SMEs. Future research could focus more

on qualitative aspects rather than rely predominantly on absolute quantitative size classes. Some of the firms in this sample may also be family businesses but, as indicated earlier, the characteristics of family business is not within the scope of this research.

Of particular relevance to this research are the sub-themes ‘orientation of the firm’ and especially ‘long-term view’, since a long-term perspective is a major aspect of the logic of sustainability.

5.2.4.1 Orientation of Firm

This sub-theme organises codes related to the strategic and general orientation of sample firms. The respective codes have been developed inductively from the data. There could be two identified codes, which seem to have a close relationship and have been named ‘specialisation/niche focus’ and ‘defending price level/product value’. Both are directed towards reducing competitive pressure from the market by ensuring that the firm has some uniqueness, which differentiates it from competitors. Another issue identified in the data is ‘independence’, here related to the firm level. Finally, ‘internationalisation’, related here to customers, was identified as an issue in which many SMEs are involved.

Earlier, it became evident that many SMEs experience considerable pressure (for example, price pressure) from large corporations. Hence, it is not surprising that an important point for them is developing some kind of uniqueness. Porter (1980, p. 35) has developed generic strategies (overall cost leadership, differentiation, and focus). In this regard, many SMEs in the sample aim to use what is similar to a kind of focused differentiation strategy, as they do not tend to serve the overall market but try to develop a specific technical expertise that makes them unique (Becker & Ulrich, 2011, p. 92; Porter, 1980, p. 38); at the same time, they try to defend the product price level but seem to be interested in offering a good price-performance ratio. So, cost efficiency also plays a role here. In fact, developing a special competence and products is reflected in the literature as a basic characteristic of many SMEs in Baden-Württemberg (Berghoff, 2006, p. 268; Herrigel, 1996, p. 20), which has been supported in fieldwork here.

The findings indicate that the vast majority of firms aims to develop a certain niche position, which reduces the probability to be too easily interchangeable. This seems to be accompanied by activities to stabilise the price level. The data also indicate that firms face massive price pressure and the objectives may not always be realisable. Nevertheless, both issues are important to most of the participants.

Another identified issue is striving for independence. This includes the strong desire of many participants not to be dependent on banks or a certain large customer. The latter, again, would also contradict what has been described above: that firms aim at ensuring a price level that would allow them to survive. Consequently, this corresponds to the code ‘self-determination’ of participants discussed earlier.

Regarding internationalisation, the data indicate that almost all of the participating firms are internationally active. This corresponds to recent studies that indicate a high degree of internationalisation, especially of industrial SMEs in Germany (Kranzusch & Holz, 2013, p. 14; Welter, Bijedic, Brink & Kriwoluzky, 2014, p. 10). Internationalisation itself is not within the main scope of this research; however, whether firms can still be characterised as having a strong local focus is a key aspect and will be addressed later in this chapter (see section 5.2.5).

5.2.4.2 Long-term Perspective of SMEs

The data indicate that many of the sample firms prioritise following a long-term perspective. This seems in stark contrast to the business logic of most of the large corporations listed at a stock exchange. So, one could speak of two different cultures of doing business, which may also explain why there are so many difficulties when those two types of firms work with each other. This long-term approach has also been addressed extensively in the family business literature (for example, Lumpkin, Brigham & Moss, 2010, pp. 243-245); however, to the knowledge of the researcher, not yet to the same extent in the case of SMEs, especially in the context of Baden-Württemberg. Analysis of data reveals the following points that may be used to conceptualise this thinking:

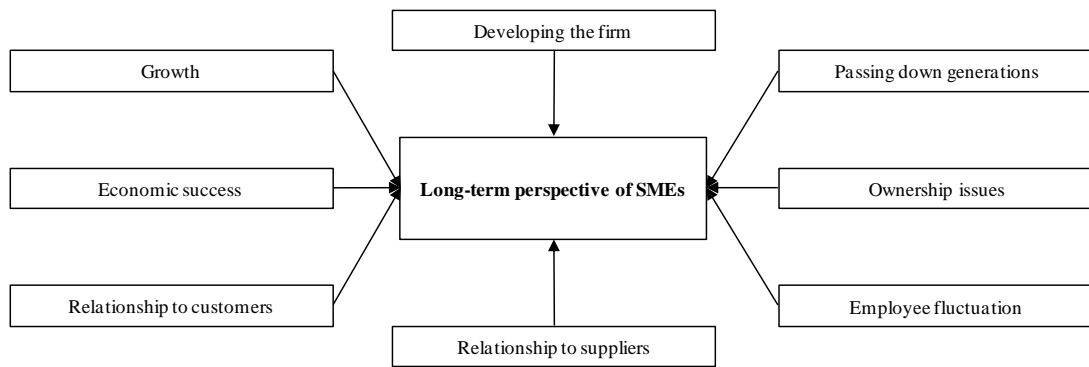


Figure 9: Conceptualising the long-term view of SMEs

(Source: own illustration)

The figure presents codes rooted in data and may be used to describe the long-term orientation of SMEs. The points ‘relationship to customers’ and ‘relationship to suppliers’ will be discussed in depth later (see section 5.2.5.2.1.4). However, with regard to suppliers, the data suggest a strong tendency that criteria like product quality, reliability, and price dominate the decision for a supplier. Besides that, firms in the sample are predominantly interested in long-term business relationships with their suppliers, often for more than 20 to 30 years (see also Uhlaner et al., 2004, p. 190). Many also have developed certain special products with other SMEs that could not be sourced easily elsewhere. An MD expresses this mentality as follows:

‘Besides that, the principle is to be very loyal to suppliers. In concrete terms, this means that if someone is not annoying us somehow, then we will regard the relationship in a long-term view and try to find for both sides adequate solutions, whether prices or any other conditions and work accordingly.’ (MD of company T)

Many participants are particularly interested to maintain these long-term relationships for several reasons. First, it tends to be easier to develop a personal way of communication that seems closer to the nature of many SMEs and increases trust; second is stability, as there are considerably lower inherent risks when working with the same firms over a long period.

An important point for many participants was ‘developing the firm’. This generally means improving the competitive situation of the firm by being innovative, improving technical procedures, buildings, infrastructure, products, developing new markets, and hence investing in the future of the firm. One very important issue in this regard is the training of employees, which will be covered in section 5.2.6.3. Here, it was experienced that the overall goal is not only survival, as partly indicated by the literature (Enderle, 2004, p. 52), but the pursuit of becoming better, developing the firm, and building a solid base for the future. There seems to be a difference to other countries here, as indicated by Hankinson et al. (1997, p. 172), who indicate for the UK a ‘status quo’ mentality. Moreover, with regard to investments, participants tend to apply an extremely long-term perspective, as indicated by the following quote:

‘Well, another example that comes to my mind is that, of course, we can really think in a long-term view even regarding our investments. These do not have to amortise, as it is required at some others, within two years or so. I can also say: Hey, four, five or sometimes even 10 years are enough, but someday it will pay off in the long run.’ (OM of company W)

Here, it is evident that the firm must be profitable in the short run as well. However, the desire or rather the possibility to apply a much longer time horizon may allow firms to undertake developments that would not be possible for firms with a short-term profit orientation. In this regard, in practice, the possibility for many firms might be restricted because of operational pressure, a fire-fighting mentality, and resource scarcity (Spence, 1999, p. 165). Nevertheless, there remains a huge difference regarding the mentality compared to large corporations that are pressured to deliver high short-term profitability (see also Fassin, 2008, p. 371; Lähdesmäki, 2012, p. 174).

Related to this is the issue of firm growth. Some firms in the sample have experienced enormous growth in the past. Some even registered double or triple growth, and are still doing so. But almost all participants expressed their aim to strive for moderate growth. Of much more interest than growth in general is that one OM seems much more sensitised to growth than the rest. Here, it is considered useful to let the participant directly articulate his thoughts:

‘Well, I do not have to have the whole growth theme that is apparent at the moment and I think it is slowly crumbling based on the many books one can read whether growth is the only truth and if perhaps one should not use a bit more, I carefully say, simply alternative concepts, sustainability, and so forth. I believe that ‘Mittelstand’ firms are, regarding one or another point, on the right track, whereas the large ones always function with growth. I cannot tell you if it would work without growth. I am only thinking about it. However, logically, the whole social system is depending on that. This means, starting with the German chancellor right down to every consultant is telling me, If you do not grow, you will be dead someday. And here the question naturally is: Is growth finite?’ (OM of company AD)

The importance of the points made by this participant cannot be overemphasised. It can be argued that to become sustainable a system change would be necessary, to one which is not primarily based on consumption or growth. The participant has realised this issue. However, while he is aware of the basic problem, he cannot change the situation and has to act within the given system, as the interview indicates. Thus, he is not more engaged in sustainability than other participants who are aware of their responsibility.

Much has been said about economic success, profit and so on during the fieldwork. When asking about the objectives of the business or what is seen as a successful year, they first noted that the main mission of a business is to make profit. With this in mind, the main point made by participants is that profit is the base for everything, but a long-term perspective is crucial. As one participant put it, firms should not be seen as ‘profit-optimised economic machines’ (MD of company F). Nevertheless, profit forms the base for the continuity and development of the firm. Most of the firms argue that profit gives them the possibility to act responsibly (see also Fassin et al., 2011, p. 441). Overall, firms in the sample are not motivated by a philosophy of thinking in quarterly periods but apply a much more diverse view. Here again, the freedom to decide, independence and self-determination play an important role. From the perspective of the author, this mentality to profit that was identified in the data is seen as a central point regarding why SMEs may be considered as acting more sustainably and responsibly.

Regarding the latter issues, it was found that succession is important for most of the firms. The overall goal is to ensure the existence of the firm over generations. Succession is a dominant theme in the SME literature and is not in the scope of this research report. Employees represent a major theme identified in the data (see section 5.2.6). Insofar, an important component of the long-term perspective identified in the data is also to bind employees to the firm and maintain a low fluctuation rate, which holds true for many of the participating firms (see also Hebllich & Gold, 2010, p. 351).

A final point that is important here has been coded 'ownership issues'. This relates to issues like retaining earnings and increasing the equity ratio but also to the direct financial involvement of the owners. The fieldwork indicated that many participants seem to leave great parts of the profits in the firms, in order to ensure independence from banks, to be able to make investments or simply to increase resources, in order to withstand difficult economic phases. Leaving profits in the firms is also sometimes related to modesty regarding salaries and dividend payments to the owners. Whether this can be considered as modesty could not be evaluated by the researcher as he did not have access to the private lives of the participants. A second important issue in this area is that participants are aware that their money is invested in the company. Consequently, they directly experience the well-being of the firm. From the perspective of the researcher, this has a tremendous influence on the way a firm is led. Usually, one may assume that an owner has a strong personal interest in the firm functioning well, not only in the short-term, but also in the long run.

'For us it is like that. When we mess things up, we experience the results in our own wallets. However, this is not only related to our wallet. Some people have been badly ruined, if they were not clever enough. They are left with no savings; today, they might even be sleeping under a bridge or living as social welfare recipients. There are cases like this. This is the big difference. We have to take responsibility for our mismanagement. Others take no responsibility at all.' (OM of company P)

While this quote tends to exaggerate, the core meaning is an important one. The participant has the clear opinion that owners must shoulder the responsibility that re-

sults from ownership of the firm while managers of primarily large corporations do not. This relates to one's own finances, as the participant points out, which could have dramatic consequences. However, this may also be the reason owners of SMEs have personal interest in the firm surviving and functioning well. This finding is also supported by Walther & Schenkel (2010, p. 87), who noted that SME (owner)-managers describe themselves as businessmen, while the managers of large corporations are characterised as 'gamblers'. Contrary to that, Longenecker et al. (2006, p. 178) note that they could not find SME (owner)-managers acting more or less ethically than the executives of large corporations. One could conclude that at least the long-term orientation, which is important to so many of the participating firms, contributes to greater responsibility, both for the firm as well as the environment of the firm. The following sections analyse in detail whether SMEs are engaged in areas of sustainability and responsibility.

5.2.5 Societal Embeddedness and Networks

It has been argued earlier in this thesis that there are indications that SMEs could be seen as an important part of the local community (Klein & Vorbohle, 2010, pp. 219-220; Lepoutre & Heene, 2006, p. 258). However, this must not be assumed per se to be true, as indicated by Curran & Blackburn (1994, p. 113). It must be noted that, in this sample, a few participants indicate having no relationship with the local community. Given the importance of this theme in the literature, the researcher was aware of the theme itself; while analysing the data, however, codes have been developed inductively, although they may partly overlap what has been already discussed in the literature. Nevertheless, the following discussion provides a detailed picture of how SMEs in the sample interact and are affected by their surroundings, especially from a German context. But before coming to the community and regional levels, it seems useful to briefly discuss some issues that are focused on the macro level, as some participants have addressed issues that are related to how Germany as an industrial location is regarded in a more general sense.

5.2.5.1 *Germany as Industrial Location*

A recent report by the World Economic Forum (WEF) ranks Germany's global competitiveness as fifth out of 144 countries (WEF, 2014, p. 190). So, we can assume that Germany is a highly competitive location for firms. It is generally known

and accepted that labour costs are high, as seems typical for a developed economy. Very few participants explicitly addressed the national level, as the local level was of more interest to them (and to the researcher). Given the strong local and regional focus, we can assume that firms in the sample are interested to preserve jobs and production sites in Germany. This can be exemplified by the following quote:

‘How do I produce, how do I build and am I still able to produce in Germany? I hope so. I adhere to the location of Germany, yet I do not want to understand at the moment that I really have to go to Eastern Europe or even farther to the east, in order to produce my products reasonably; or rather, to be able to produce them competitively.’ (OM of company D)

This quote also reflects the fear that global competition and high labour costs in Germany may make it necessary to relocate the production or parts of it to low-wage countries, despite the strong allegiance to the German location. However, two participants are critical regarding the situation in Germany and, for one participant, relocation of production sites is a punitive measure or rebellion against German industrial politics. The two quotes are as follows:

| | |
|---|---|
| <p>‘I do not see any society or business or my responsibility that I say. No, why should I bear the burden of all that the politicians are doing and keep my jobs here? It will not be rewarded. Not from the state, which collects tax, nor from the market, which asks: Are you competitive? Yes, if I can find another company abroad, which can offer the same service at a cheaper or better rate, then I will buy from them. Full stop. This is also a reason why we relocate. We say we have to become more economical, we have to look at other markets, and if this works we will reduce jobs here. Preserving jobs for missteps of politics is not something we will do. If you focus on politics or the society...you will have to take the fall for it and repair the situation. You can read in newspapers what will happen. You can see it in France. If you make it anyhow and it happens, then there will also be other reactions.’ (OM of company E)</p> | <p>‘My responsibility is to keep the firm running. It is not my responsibility to ensure the maximum of value creation in Germany, even with the risk of run against a wall. This is one aspect. The target also is not to relocate all that you can relocate. The truth is somewhere in the middle. Competitiveness is the primary guidance. And then you try to retain at this site as much production you can, because you also have advantages, such as flexibility, speed, close connection of development and production. But not at just any price.’ (OM of company V)</p> |
|---|---|

Table 15: Preserving the industrial location of Germany

(Source: own illustration)

Both quotes illustrate how the participants see the option to relocate production sites and both have relocated jobs in the past. The OM of company E bitterly complained about the current political situation in Germany (mainly issues about tax, the education system, economic policy in general, the crisis of the EU) and argued that politicians are not behaving ethically. According to him, this is partly because the state is solely interested in imposing taxes on firms. He does not see any responsibility to the state or the society in the current situation. So, in a kind of self-defence mode, he has decided to relocate jobs abroad, also as punitive activities as indicated above. The second quote states that the overall goal of firms must be to ensure competitiveness and one measure for this is using wage cost advantages internationally, but the OM seems to do this with a certain sense of proportion. Indeed, the report by the WEF indicates some problematic factors of German competitiveness, such as (listed according to their prevalence): restrictive labour regulations, tax regulations, tax rates, inadequately educated workforce, access to financing as well as inefficient government bureaucracy (WEF, 2014, p. 190). Some of these aspects have been taken up by the participants—for instance, labour regulations, tax issues, educational issues and bureaucracy. These will be addressed several times throughout the discussion of this chapter.

The following section moves on to a more local level and draws together various connections between the local community and SMEs identified in the data.

5.2.5.2 A Conceptualisation of the SME Local Embeddedness

Data revealed that the following potential connections between an SME and its local environment. This can be illustrated as follows:

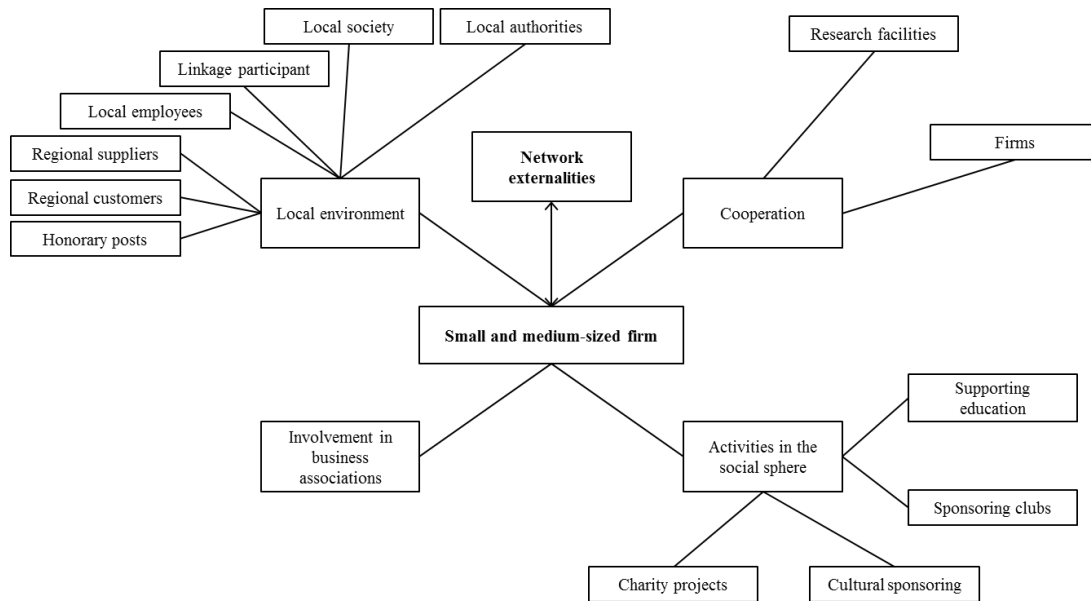


Figure 10: Conceptualising the local embeddedness of SMEs

(Source: own illustration)

The figure illustrates the main sub-themes and codes relevant to the research questions. The main focus of the discussion will be on issues of the local environment, concrete activities in the social sphere (which means concrete practices in the local or regional community) and finally network externalities. Network externalities describe cases in which a sample firm tries to convince a business partner to adopt more sustainable practices and are seen as especially important because they entail multiplying effects. So, a firm that seems to show high awareness of sustainability issues, may then translate their practices into concrete practices in other firms (for example, suppliers or customers). The sub-theme ‘cooperation’ with other firms and research facilities captures information about joint projects. ‘Involvement in business associations’ describes activities in different kinds of associations. Given the focus of this research, for both latter sub-themes only selected issues will be dis-

cussed. This conceptualisation may also be seen as a structure of the networks of the sample SMEs and shows a portrait of the structural social capital, though it must be noted that the data revealed little about the overall quality of the relationships.

As outlined briefly earlier, the literature emphasises the importance of networks for smaller firms more generally—for example, to reduce the negative impact of missing resources (such as knowhow), as indicated by Conway & Jones (2012, pp. 228–339)—and more specifically with regard to the implementation of sustainability issues. Loucks et al. (2010, p. 185) argue that ‘Participation in a network of firms involved in sustainability can provide firms with the resources and expertise needed to overcome the obstacle created by a lack of knowledge’. So, while the focus here cannot be networks of SMEs in a more general sense, as discussed by the extensive literature on entrepreneurial and small business networks, it is intended to provide a focused discussion on SME networks that may be related to the sustainability understanding developed in the literature review earlier.

5.2.5.2.1 Local Environment

As indicated above, regarding the connection to the local environment, data indicate various potential stakeholders to which a SME may be connected, as will be discussed in the following sections.

5.2.5.2.1.1 Local Authorities

First of all, the data indicate a certain exchange of some sample firms with local administrative authorities, such as representatives of municipalities or cities—for example, mayors, members of local councils, and so on (code ‘local authorities’). Participants indicate that the absolute majority of communication with local authorities can be characterised as occurring sporadically and induced by specific occasions, such as planning construction projects to enlarge production sites or occurring problems—for instance, issues regarding the local infrastructure, such as transport connections and broadband internet. Firms seem to experience the interest of the local authorities in a different way. The smallest firm in the sample (company AB) indicates that there is no official interest to find out how the local conditions can be improved for the firm. This is reflected in the following quote of an OM:

‘Nobody is coming to you. When you have a company, no mayor—well, how should one say it—somebody responsible out there from the region, nobody is coming to you. And there are plenty of such persons out there.’ (OM of company AB)

Probing this issue further revealed that most of the exchange is initiated by the firm. However, the OM states that local firms should place high priority for the mayor and he should be interested in them of his own accord, as local firms contribute considerably to the financial budget of the local community by paying taxes. Another OM reported different experiences, as the following quote indicates:

‘Of course. Obviously, one has to acknowledge that one is at home here in this environment. Here, it has been based on mutual treatment for many years. So, the community does not have this comfortable position regarding the financial situation in vain. They did not recognise only since yesterday the importance of economic and industrial policy. They do something for the firms and get something back as well, in terms of municipal trade tax and jobs, which will be conserved in the community and perhaps more taxes and jobs will be further created.’ (OM of company V)

Consequently, this participant seems to experience more interest in the local authority and appears, in principle, to be satisfied regarding the collaboration with official representatives. In comparison to the previous example, this firm is a major employer and taxpayer in its local community, while the other firm does not have the same importance. This could serve as an indication that larger and more important (whichever criteria may be applicable) SMEs seem to experience higher interest from local authorities. It has been concluded earlier that SMEs tend to be invisible to the general public. With regard to visibility in a local community context, it can be argued that there is a differing degree of visibility and attention that an SME may experience, depending on its size and importance to the community. This, of course, may vary from local community to local community and the representatives of the communities. However, ignoring smaller firms, which currently are less important to local authorities, can be regarded as a problematic short-term view. This is because those smaller firms indeed could develop into important taxpayers and employers in

the future, when assuming an entrepreneurial mindset that results in firm growth (for example, Burns, 2011, p. 20).

There also does not seem to exist something like tools or networks for regular communication between SMEs and local community authorities, as indicated by participants. Limited interest of local policy makers in SMEs was also identified by an English study, especially in the case of small mechanical engineering firms (Curran, Rutherford & Smith, 2000, p. 138). In a similar vein, Spence et al. (2003, p. 21) find for a sample of German SMEs that there was no engagement in local government bodies. Very few participants state that they are engaged in organisations that offer regular contact with local authorities, which also includes sporadic participation in meetings of the city council. Those firms that are engaged here seem to have concrete concerns, which they want to communicate to local authorities. So, given the significance of SMEs, it is recommended to offer firms more concrete and easily approachable ways of interaction and the representatives of authorities should be aware of their role in this relationship. It also turned out that this is a point heavily influenced by the individual characteristics of the respective mayor in these communities. For this reason, further research should use larger samples and also include the views of official bodies to capture both views of the phenomenon.

5.2.5.2.1.2 Local Society and Regional Linkage of Participants

The code 'local society' more generally refers to participants that describe themselves as part of the local society. However, there are also participants who clearly denied being part of the local society and showed no interest at all in being part of this society. This seems to support the findings of Curran & Blackburn (1994, p. 113), who speak of isolated and protected firms. These firms usually attach high importance to the issue of being independent (for example, the OM of company P) or rather large SMEs are claiming to be internationally oriented organisations (for example, the OM of company E) or situated in larger cities. There are indications that firms located in more rural areas show a closer connection to their local societies, which is also supported by Lähdesmäki & Suutari (2012, p. 490). Another issue is whether the owner of the business has grown up or is living in the local community. Besser & Jarnagin (2010, p. 12) argue that many small business owners live in

the local communities or cities in which they are doing business. If this is the case, then a closer connection is more likely. This can be illustrated by the following quote:

‘And when one gets a professional position, you will remain part of the region; you will not leave to the global world or something like that. This means that decisions affecting the location and the immediate vicinity will be made completely different, compared to some board members in a large public corporation who do not have any personal relationship with the region.’ (Former OM of company Q)

The quote indicates that in the case of SMEs, owners or managers tend to stay connected to their local community. This participant describes that the firm not only has a responsibility to itself and its employees as well as their families but also to many people working at small local suppliers that otherwise could not exist. In this case, there seems to be a strong belief that the firm has a responsibility towards the local society as a whole and every decision should consider that many people are affected by the consequences. It is true that it would be much too simplistic to suggest that SMEs (at least a considerable part of them) care for their vicinity, while large corporations focus solely on global issues, as also argued by Blombäck & Wigren (2009, p. 264). But the fieldwork indicated that there is a tendency where a considerable section of SMEs is aware of the local environment, especially in more rural areas.

As already indicated above, the regional linkage of the decision makers may be an explanatory factor for local commitment and engagement of a firm. Hence, information regarding whether a participant was born or is living in the local area of the firm has been coded as ‘regional linkage of participants’. However, participants only rarely addressed this issue, as it touches a very private sphere and given the reluctance of many participants to disclose private issues, this topic was not actively probed. Those who provided information on this clearly illustrated that their regional relationship forms the base for their decisions.

The discussion above implies that there seems to be a relatively strong link of many of the sample SMEs to their local society, partly driven by the personal relationship of the owner to the community. Noticeably, this also is true for some external MDs.

Here, this appears to be related to the loyalty an MD may have to the company. So, an MD working already for more than 10 or 15 years in the same SME may appear very close to an OM, especially in cases of strong owner influence through advisory boards.

5.2.5.2.1.3 *Local Employees*

It has been argued above that many owners live in the communities or in the wider region in which they are doing business. A similar issue can be identified for employees (code 'local employees'). Given that SMEs tend to be invisible to people from other regions, it can be assumed that many employees come from the local community or the region in which the firm is situated. This may be truer for rural areas, as people tend to commute to cities as well as industrial zones. This issue is also reflected in the data as the following quote indicates:

'Very compatible, very healthy, many employees live in the direct vicinity. Insofar it is life in a big community. This is also typical for a small 'Mittelstand' firm. At the moment, we have only 150 employees, and it is great if one does an open house day. We only had done this one time and the employees' families are also coming. This allows me to see what the husbands and wives actually do all day, where they go to work, and it is very positive.' (OM of company B)

The quote indicates that there is a relatively close connection of the firm to the local community. In this case, the participants refer to the point that many employees live close to the firm. Another issue that will be addressed in depth later is a certain personal closeness of the OM to his employees and also to the family of employees, as indicated by the quote (see section 5.2.6). That the responsibility of SMEs is not only limited to their own employees but also extended to the whole family is indicated by the literature (for example, Klein & Vorbohle, 2010, pp. 218-219).

However, there are indications in data that with growing size or a location of the firm in more urban areas, the issue of local employees becomes less important. This can be illustrated by the following quotes:

| | |
|--|--|
| <p>‘So this is less the case because the town simply is, regarding the structure that we have here, not telling you the wrong figures. We have about 20,000 employees and commuters, more coming in than going out. We have here a huge industry because of the excellent location of the town, which creates a relatively high business tax income. Hence, the town is able to afford quite a lot because of this good location.’ (OM of company S)</p> | <p>‘We also had in former years staff nearly exclusively from the village and from close villages, but this has changed in the meantime. Our staff now also comes from farther away. Many have a driving distance of up to one hour.’ (OM of company AE)</p> |
|--|--|

Table 16: Locality of employees

(Source: own illustration)

Both quotes describe that the issue of local employees is not or not anymore such an important theme. Whether employees can be considered as local—living in the same place where the firm is located or in very nearby villages—seems to be strongly dependent on the environmental context of the firm. We can assume that firms located in urban areas have a greater proportion of employees coming from the same region but who cannot be considered as local employees. A similar issue seems plausible for larger SMEs, which need more specialised and professional staff. However, for smaller SMEs in more rural areas, the issue of local employees may be more an issue, but not necessarily so, as indicated by the OM of company AE. An important topic that will also be addressed later in more depth (see section 5.2.6), is that a considerable section of the sample firms have problems in hiring well-educated staff and the ‘war for talents’ arising from the demographic changes that Germany is facing, is already a fact. This may also explain why the locality of staff has reduced in importance, as firms have to make sure that their need for new employees is covered with well-skilled people and the local community does not offer enough potential to do so. Nevertheless, we can conclude that we cannot speak about local employees in the case of SMEs in the sample but definitely of regional employees.

5.2.5.2.1.4 Regional Suppliers and Customers

An essential issue for all firms is having reliable and high-quality suppliers. As indicated above, there are strong indications in the data that many of the sampled SMEs have close and long-term collaboration with suppliers, as also indicated by the literature (Uhlaner et al., 2004, p. 190). The question now is whether those suppliers are

preferred which show a certain regional closeness. This means whether firms from the same local community and regional area are preferred, rather than nationally or internationally located ones. Information on this has been coded as ‘regional suppliers’. There are some indications in the data, as indicated above, that for some firms the origin of a firm is of secondary importance. This is argued by the OM of company E: ‘Yes, and if I can find another company abroad which can offer the same service at cheaper or better rates, then I will buy from them’. This may indicate that regional closeness is not necessarily an issue for some firms, especially larger more internationally oriented organisations. However, there are indications that many smaller firms make use of international suppliers. For instance, an OM argues:

‘We have released us of that, regarding the region, only if it is very far away. China is out of question for us, India is out of question for us, but adjacent countries can be considered.’ (OM of company B)

The participant states that sourcing is not restricted or primarily undertaken with a regional focus but there seems to be a focus on neighbouring countries and European countries. This issue is widely reflected in the data, as many of the sample firms have European suppliers. As indicated above, an important consideration for this is lower prices. Taking into account the administrative and organisational costs of monitoring suppliers from other continents (for example, quality assurance) as well as the risk related to doing business with them, it is argued that even in the case of considerably lower prices, firms may be restrained from selecting those. However, firms predominantly use suppliers in Germany but these are not necessarily located close to the sample SME. Given the resource limitations, it seems understandable that firms first aim to identify a local or national supplier and only if there is no adequate supplier do they go to the European level or farther.

It can be argued that the support of local or regional suppliers is an essential part of a sustainable way of doing business. On the one hand, this also supports the local community (jobs, tax income, etc.); on the other hand, it reduces the environmental impact of production processes, as parts are not transported over thousands of kilometres. Local or national suppliers are very important for the sample firms; however, sustainability issues play a minor role, even if for only a few firms in the sample.

The focus clearly is on traditional business considerations (for example, quality). This is also supported by the results of Ciliberti et al. (2008, p. 1585), who find that CSR criteria are subordinated to economic issues. Even for firms that show very high commitment, the issue is a critical one, as indicated by the quote below:

‘This is a weak point for us. We are not yet good at the sustainable selection of suppliers. We choose our suppliers. In the past, we have chosen our suppliers according to product quality and availability. This leads us primarily to suppliers within Europe. We have a few Asian suppliers, many European suppliers, many from Italy but we mainly look for the product and not for other issues. But then we do not have enough procurement power.’ (OM of company N)

The participant’s account demonstrates that statements during the fieldwork also address sensitive issues. In a self-critical and reflective manner, the participant points out a weak point of his sustainability engagement. Given their relatively low power, SMEs can only enforce their ideals along the supply chain to a very limited extent, which is also reflected by the results of Pedersen (2009, p. 113). In contrast, the findings of Ayuso et al. (2013, pp. 504-505) suggest that SMEs could serve as transmitters of sustainability and responsibility through the supply chain. Here, it is of high interest to develop better understanding on the context and areas, in which such a transmitting effect might be possible.

The data indicate that there are not as many participants referring to the issue of local or regional customers (code ‘regional customers’). Since many SMEs in the sample seem to have a strong international orientation, it can be assumed that local or regional customers only play a subordinate role.

The discussion above implies that having local and national suppliers is more common in the sample than having local or national customers. This is also confirmed by the findings of Haunschild, Hauser, Günterberg, Müller & Sölter (2007, p. 219), who argue that SMEs are typically rooted in their domestic location, as there is a considerably lower proportion of imported parts in their exported products. Hence, there tends to be considerably higher national value creation in the overall product

manufactured by SMEs, which is then being exported, as it is the case at large corporations.

5.2.5.2.2 *Activities in the Social Sphere*

The fieldwork revealed that the sampled firms are socially engaged in a number of activities, which have been collected and grouped into the following codes:

- ‘Charity projects’: includes all financial and non-financial contributions of a firm to social projects
- ‘Cultural sponsoring’: includes supporting cultural events or facilities
- ‘Sponsoring clubs’: includes donations and non-financial support of sports clubs and other associations
- ‘Supporting education’: includes partnerships with schools as well as all kinds of support related to education

What is remarkable is the variety of activities in which firms seem to be involved and the findings indicate a much greater variety of activities, as indicated by the literature so far (for example, GILDE, 2007, p. 11; Jenkins, 2006, p. 248). The variety of activities may represent the heterogeneity and variety of the characteristics and interests of the people in the firms who decide which activities are undertaken. Almost exclusively, the OMs and MDs of the sample firms, alone or through joint decisions with other co-owners or members of the top management decide on the engagement. The focus here is predominantly on the activities and practices. The selection process for social activities will be discussed later under the integrative theme ‘management approach’ (see section 5.2.10).

The analysis of data implies that the sample firms are engaged in the following activities:

| |
|--|
| Charity projects |
| Supporting workshops for disabled people by buying products from them |
| Trial courses to integrate disabled pupils into working life |
| Financial contributions to the purchase of an ambulance for children in the community |
| Support of a palliative centre for children |
| Support of a typing action for a bone marrow donation to fight leukaemia |
| Donations to social projects of the church |
| Support of children's homes |
| Non-monetary support of social associations (for example, mailing actions) |
| Donations to a variety of social associations |
| Support of a project to prevent youth crime |
| Support of a home for disabled children to support their parents |
| Donations in case of natural disasters |
| God-parenthood for children in Africa |
| Cultural sponsoring |
| Financial support of cultural events/festivals |
| Donations aimed at preserving historical buildings (for example, monasteries) |
| Sponsoring clubs |
| Monetary and non-monetary contributions to sports clubs with a strong focus on youth work |
| Monetary and non-monetary contributions to music societies |
| Donations to the voluntary fire brigade |
| Supporting Education |
| Partnerships with schools (in a general sense) partly also at production sites abroad |
| Supporting kindergartens |
| Offering internships for pupils and university students |
| Offering vocational trainings for young persons with precarious backgrounds (for example, immigrants with integration problems, learning difficulties, etc.) |
| Additional courses/workshops for children held by employees in the company (for example, in the area of natural sciences/technology) |
| Cooperation with student consulting groups and providing them a 'playground' where they can apply their theoretical knowledge to practice |
| Company visits for children and students |
| Contributions to networks that offer private coaching for pupils with learning problems as well as supporting organisations that provide educational assistance for immigrant children |
| Sending apprentices and more experienced employees to schools in order to assist young people in the choice of their future profession |
| Providing schools with technical equipment (for example, PCs, laboratory equipment) |
| Offering award schemes for students |
| Offering application trainings for pupils |

| |
|---|
| Participation in fairs at schools |
| Monetary and non-monetary support of universities (for example, endowed chairs, participation in university committees) |
| Financial donations to events organised by schools and pupils (for example, sporting events for schoolchildren) |
| Participation in regional networks to support education with the aim of keeping skilled employees in the region (for example, ensure that schools are not closed, initiate new study programmes or vocational training courses) |
| Grants for pupils (for example, for excursions) |

Table 17: Activities in the social sphere
(Source: own illustration)

There is the tendency that activities have a strong local and regional focus, which is widely supported in the literature (Bluhm & Geicke, 2008, p. 5703; Heblich & Gold, 2010, p. 350; Mittelstädt et al., 2013, pp. 19-20; Walther et al., 2010, p. 92; Walther & Schenkel, 2010, p. 84). It is only very rarely that the engagement goes beyond the regional scope, as for example, the case regarding god-parenthood for a child in Africa or supporting a school for disabled children in Berlin. The data further indicate that some activities are more structured and long-term than others. For instance, many charitable activities have the character of one-time donations, which is decided more or less spontaneously because it simply is a good cause to help. The participants also report that they change the receivers from time to time in order to contribute to different aspects in a community. This is the case for local associations. The engagement regarding education tends to be undertaken in a more systematic way, as the results usually are long-term collaborations.

Especially smaller firms face restrictions regarding their limited resource base—for example, cash—but at the same time there seems to be a strong desire to expand the engagement. Therefore, some decided to contribute in a non-monetary way to social projects, which is a frequent practice among many firms in the sample. An executive describes the dilemma in the following way:

‘The problem is that for us it is very difficult to give more and more. Therefore, we try at the moment to maintain a certain level of donations. This is not less, but

we cannot give more at the moment. However, we then try to support the association or other causes as well.’ (Executive of firm L)

For instance, they conduct mailing actions for a social association to support the collection of funds. Others, for instance, provide schools with used technical equipment or products that cannot be sold anymore. However, there are also firms in the sample which argue to be too small and support of social projects is not possible. A fear related to this is that it might not be possible for them to contribute to such projects over a longer period, which may eventually dissatisfy the receivers and lead to the decision to not participate at all. Here, it can be argued that the participants fear a bad reputation in the community as a result of the discontinuation; hence, they decide at the very beginning to avoid such problems. It must be mentioned that very small firms in the sample only occasionally contribute non-monetarily to social projects, while others do not contribute at all.

However, there are also larger firms in the sample who state: ‘Principally we do nothing, except in some exceptional cases (laughs)’ (OM of company V). Similar to the results of Klein & Vorbohle (2010, p. 220), paying taxes and providing jobs are seen by some participants as sufficient contributions of the firm to the society. Both issues are important aspects but the findings indicate that only a minority of participants argue in this way. For the majority, it is important to contribute to the society or the community to some extent. This automatically leads us to the point that activities carried out are often strongly aligned to the attitudes of the OM or MD (also to the owners supporting the MD) and to projects with which the decider can identify. Additionally, a key issue is that the engagement should contribute positively to the well-being of the whole region or local community. For this reason, there is a strong tendency to support a variety of projects focusing on children and education. It was found that both cultural issues and sponsoring clubs were not important for many firms, and if including a strong focus on youth work, though supporting charity and education were priorities. Often, more specific or special associations like canine clubs are typically not within the scope of firms. Consequently, the results here tend to support the results of Bluhm & Geicke (2008, p. 5703), who found a strong focus on social aspects rather than on sports and culture. There also is a personal relationship either of the OM or MD himself or of an employee to the projects that are sup-

ported. A problem linked to the support of sports clubs is described in the following quote:

‘Ideally, we would sponsor a jersey with the company name in bold. But the next day there will be 10 requests on my desk. So I do not do this anymore. If we do something, it is perhaps because an employee comes and says: This is my football club. Then we run an ad like ‘No power to drugs’ or something similar. These are anonymised, very consciously. We tell the organisation, there you have your money, but we do not want to become visible. This is how we do it and it is working.’ (OM of company N)

This implies that too many requests create problems for firms. On the one hand, the effort that has to be invested to handle requests and, on the other hand, taking a decision may be an emotional burden. Most of the firms in the sample do not have a direct relationship with consumers. Hence, participants usually argue that increasing publicity by sponsoring local or regional sports teams does not provide as many benefits for them. Those who are involved in sponsoring activities typically strive to make the firm better known, primarily to attract new and qualified employees. Partnerships with schools and all activities in the field of education seem to be undertaken with the strong desire to attract young people for vocational trainings or graduates from universities.

As will become more evident later (see section 5.2.6), finding and attracting new employees are major challenges for most of the sampled firms. It can be argued that many of the firms that participated in this study show strong engagement in the field of education. This also indicates that firms attach high importance to employees in general (Hoffmann & Maaß, 2009, p. 22; Klein & Vorbohle, 2010, p. 222; Walther et al., 2010, p. 92). However, strong local engagement might lead to rejection of stakeholders from close villages (Besser, 2012, p. 136). Although this has not been experienced here, OMs should take into account potential local or regional rivalries.

5.2.5.2.3 *Network Externalities*

Perrini et al., (2007, p. 294) argue that firms which show high sustainability awareness and are already engaged in sustainability issues should also encourage their

partners, such as suppliers and customers, to apply similar practices and therewith promote the underlying ideas. This can be considered very important for convincing firms that have not yet realised the importance of environmental and social aspects. It is surprising that there tends to be limited research on the inter-firm networks of SMEs focusing on environmental collaborations, as indicated by Wassmer, Paquin & Sharma (2014, p. 770). The discussion here aims at specifically addressing this gap while also emphasising that more research on this is urgently needed. Some firms in the sample consider environmental and social aspects when selecting suppliers, but this seems relevant only for the absolute minority, as indicated earlier. The data reveal that firms in the sample that show high engagement in sustainability try to spread their conviction along the supply chain and beyond. Some of those participants do this, for instance, by sharing their experiences via speeches, presentations in business associations or elsewhere—for instance, one participant is responsible for sustainability in the respective branch association. Nevertheless, the most important channel for these firms tends to be the partnership with customers and suppliers.

With regard to this, a predominant issue is that firms try to convince their suppliers to use reusable packaging systems, in order to minimise waste but also efforts in unpacking and storing delivered parts. This can be vividly illustrated by the following quote:

‘For instance, we make a lot in the segment of packaging. So we and our suppliers always reflect on how to create recirculation packaging, or how to avoid packaging at all. We, for instance, provide our suppliers our stock containers, so that they can put the parts into our containers and we can stock them immediately, instead of, as in the past, sending them a big pallet with small boxes and handwritten numbers and a delivery note, and then somebody had to separate and put them into boxes. Our suppliers do not want to take part at first, but we have to push and push and push them. For example, a large steel supplier who supplies metal sheets always used to deliver wood pallets. We said: We want to give those pallets back to you. They answered: Logistically this is not possible for us. We insisted until they said: Well, we will just try it out with you. Half a year later they told us that they had introduced this system here and there and that everyone

is enthusiastic. We are also happy because we are getting back the pallets and do not always have to buy new ones. We have introduced a storage system, the pallets, jab, jab and it works wonderfully. So, very often we are the impulse that encourages suppliers who were reluctant at the beginning, to suddenly recognise the economic advantages they experience.’ (OM of company K)

This implies that realising change, even in cases that have an economic advantage, requires a lot of preliminary work and endurance on the side of the initiators. Here again, the example demonstrates that large corporations tend to be less flexible and more reluctant to change, but after introducing new procedures, their range naturally is much more extensive. Nevertheless, the example highlights the importance of firms that are aware of sustainability and the multiplying effects that their practices can unfold. This can be regarded as an important future path of research. Besides the issue of packaging, there are no further practices regarding suppliers indicated by the data.

With regard to customers, there is evidence in the data that a few firms try to convince other firms to behave in a more environmentally friendly manner by selling them energy-efficient products. But this is a normal situation for firms doing business in this area. However, customers seem reluctant, especially SMEs, to realise respective projects, even when an economic benefit is predicted within a relatively short period. One of the participants blames this on a lack of trust in whether the benefit will occur in reality:

‘And we are in all the themes very often better and despite of that the decision is not being taken. This is related to the question: Do I trust that you can achieve the promised performance? Although we can measure it today and, and, and.’ (OM of company N)

Here trust is an important issue. As discussed earlier, sustainability and its components present a vague and holistic concept, and there seems to be relatively little understanding of the concept among SMEs. Hence, a lack of trust considerably minimises the willingness to implement procedures related to sustainability. Consequently, firms operating in this field with the aim to convince their business partners

have to ensure that they were perceived as extremely trustworthy. Besides technical expertise, this can be achieved by being a role model and having integrated sustainability deep into the company culture and procedures, as the respective sample firms do it. Nevertheless, building this trust is time-consuming and especially SMEs seem to be sceptical, as is also indicated by the participant.

Thus, it can be summarised that there are relatively few indications in the data on network externalities. One can assume that this is not a widely used practice. One reason could be that SMEs simply do not have enough power and endurance to transfer their conviction to partners. However, many firms are also not interested to do so, given their low interest in sustainability. Sometimes, large customers demand from their partners the implementation of environmental managements systems. This could also be understood as a kind of network externality, but will be addressed in section 5.2.10.3.

5.2.5.2.4 Involvement in Collaborations and Business Associations

The discussion earlier indicated that many sample firms have close and long-term relationships with their suppliers, which also involves joint research projects. These networks can be seen as one point that allows many firms a high degree of specialisation and a niche focus, as also proposed by Herrigel (1996, pp. 20, 27) in his description of the decentralised industrial order, especially in Baden-Württemberg. However, such networks seem to exist in a very limited way in districts around and in the city of Pforzheim, as indicated by the participants and also people who are familiar with the industrial situation in the area (for example, from the local university). So, sharing knowledge with partners and working together tends to be rarely the case, as indicated by an OM:

‘This seems to be a ‘Pforzheim’ peculiarity or let us say an ‘Enzkreis’ peculiarity. At the trade fair everybody pretended to be good friends and related to each other. However, behind their backs they tripped each other up. This is also the case in other branches. Whether it is the stamping industry that is very widespread here. And the fight for employees, technology and so on is intense. As we have many competitors here nobody is showing someone else anything. Or they try to spy. We also had this in the past.’ (OM of company AB)

Another participant stated that no company from the area would buy his products, as they prefer to buy from further away. So, there are indications of no strong linkages between the local firms, as indicated in the literature focusing on smaller German firms (for example, Berghoff, 2006, p. 268; Herrigel, 1996, p. 27). There seems to be a strong mistrust between a number of firms in this region, which could not be observed or was not indicated by participants from other regions, perhaps also because the researcher does not show such close personal familiarity with the other regions. However, this and also all aspects related to regional firm networks and related social capital present a promising area for future research, especially when we assume that networks and social capital accompany more positive regional economic development, as indicated by Kleine-König & Schmidpeter (2012, p. 697). Regarding this, entrepreneurial networks and trust have been identified by the literature as important themes (Conway & Jones, 2012, p. 353).

With regard to research facilities, there are indications in the data that a number of firms collaborate with local universities, which is also partly indicated by their engagement in the area of education. Given the resource scarcity, such collaborations may also make developments possible which otherwise could hardly be achievable for those firms, as indicated by an OM:

‘...if one gets knowhow from universities or integrates research centres, apparently unreachable objectives are possible to reach, even, and I repeat this, if it takes 20 years.’ (OM of company K)

This quote implies the importance of having the possibility to make use of external knowhow. For this reason, close connections to regional universities are not only important in the case of attracting new employees but also to use their knowhow and resources. Compared to research projects with other firms, universities usually do not have an economic interest in the result or product, but are interested in collecting third-party funds, which may simplify the partnership. There is no clear evidence in the literature about whether contacts with universities enhance the survival or success of SMEs (Storey & Greene, 2010, p. 450), as there tends to be limited research on the collaboration between SMEs and universities (see also Wassmer et al., 2014, p. 770). However, given the importance of networks in general and in particular to

the innovation process (Conway & Jones, 2012, p. 352), the importance of relationships to local universities can be assumed, as is also indicated by some participants. The literature further indicates that networks and social capital are very important for innovation, especially when related to sustainability (Bos-Brouwers, 2010, p. 430; Halme & Korpela, 2014, pp. 558-559). The findings of Halme & Korpela (2014, p. 559) indicate that the combination of economic capital (equity) and social capital (cooperation) in research projects may help to reduce the negative effect of resource scarcity in SMEs and support the development of sustainability innovations.

In essence, the fieldwork indicates that the great majority of participating firms is not involved in associations in which sustainability in general is being addressed and they very rarely get assistance in implementing sustainability issues. There certainly is a number of offerings that attempts to assist SMEs to become more sustainable¹¹; however, most of these firms do not seem to be aware of them or are not interested. Nevertheless, such programmes should be more actively promoted and made visible for SMEs.

5.2.6 Dominant Theme: Employees in SMEs

Overall, the findings of this research indicate that employees are the most important addressee of the participant's sustainability and responsibility engagement and, hence, support the national and international literature that came to similar conclusions (Bluhm & Geicke, 2008, p. 5705; Heblich & Gold, 2010, p. 350; Klein & Vorbohle, 2010, p. 222; Murillo & Lozano, 2006, pp. 232-233), though specifically from a Baden-Württemberg point of view. For this reason, employees experience and benefit the most from an SME's social engagement (see also Hoffmann & Maaß, 2009, p. 22; Klein & Vorbohle, 2008, p. 52). The following discussion indicates the importance as well as the variety of practices undertaken for employees.

¹¹ See, for example, <http://www.csr-in-deutschland.de/en/csr-in-germany/esf-assistance-programme-for-smes/esf-assistance-programme-for-smes.html>.

5.2.6.1 Importance of Employees for SMEs

The data indicate three points that exemplify the importance of employees, as can be illustrated in the following figure:

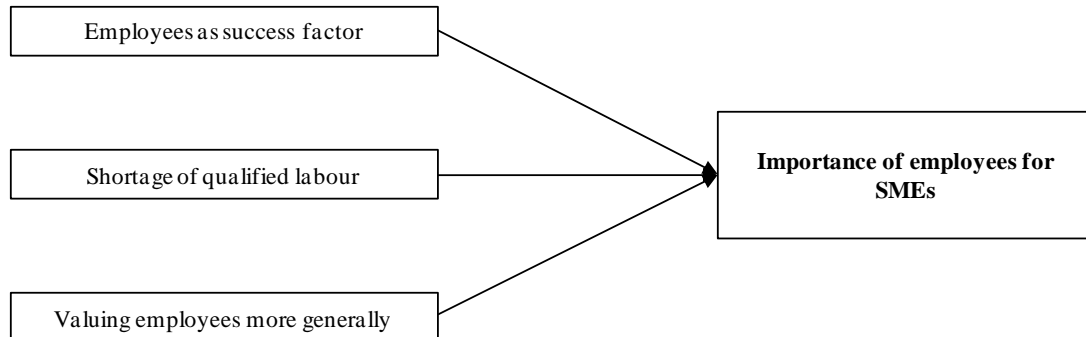


Figure 11: Importance of employees
(Source: own illustration)

While the first two codes indicate primarily a business rationalisation, the latter aspect tends to emphasise an appreciation of them as human beings, with feelings, needs and so on, and not primarily as a value-creating production factor.

The relevance of well-qualified and motivated employees for a firm's success is obvious (Heblich & Gold, 2010, p. 351; Lee, 2009, p. 1106; Loucks et al., 2010, p. 184). This is the case especially for firms working in fields with a strong technical focus and having complex products, as is true for the absolute majority of firms in the sample. This is described by the following account:

‘Definitely. Employees really are elementary for us. As we are manufacturing highly difficult and complicated products requiring technical explanation regarding production and sales, the human being for us is crucial. The machine has a considerably lower significance than the human being, because the latter simply is the fundamental basic factor for success.’ (MD of company H)

Hence, employees and their knowhow are described as the most important factor for the company's success. This is affirmed repeatedly throughout the fieldwork. As also indicated earlier in this thesis, many participants aim to retain good employees over the long term and the loss of employees is often regarded as a critical issue,

especially in the case of key employees like leading engineers. A topic that is closely related to highly skilled employees is demographic change. According to Klein & Vorbohle (2008, p. 53), demographic change and the increasing shortage of skilled labour poses severe challenges on SMEs, which is likely to intensify in the coming decades (Kay, Suprinovic & Werner, 2010, p. 31). Indeed, data indicate that this is an issue of immense importance for almost all participating firms. The OM of company N confirms this as he states: ‘I am not that concerned about our market but I am worried how to find the staff that is serving this market? This is my major problem.’

There are indications that the lack of skilled staff is not yet a pressing issue for some firms but will be in the future, when for example, employees retire. There are at least two prevailing developments apparent in the data:

- There appears to be strong competition from large corporations for employees. Given that large corporations tend to pay higher wages and are more visible than SMEs, the latter experience considerable problems in recruiting skilled employees. Especially small SMEs tend to face problems in finding adequate apprentices, as they tend to prefer larger firms (Pahnke, Große, Kay & Brink, 2014, p. 52). Given that this research does not focus on very small SMEs but rather on larger SMEs, it can be assumed that also for these firms, finding adequate apprentices and qualified employees is a major concern.
- Another issue is that firms located in rural areas suffer even more from a lack of qualified staff and may have considerable problems in attracting them. However, one participant reported that given the regional distance of other firms, the situation regarding employees seems rather comfortable. So, one may conclude that rural areas with a higher density of firms may also pose considerable problems, given the trend among younger people to move to larger cities, as indicated by some participants.

For many of the participants, these topics are experienced relatively directly; not like some kind of imaginary and intangible problem but as a real threat, for it directly affects the capabilities of the firm. Hence, the fieldwork indicates that it is important for the participating firms to remain or become attractive employers. Making use of

experts in the ‘Mittelstand’ field, Welter, May-Strobl, Schlömer-Laufen, Kranzusch & Ettl (2014, p. 13) confirm that increasing the attractiveness of ‘Mittelstand’ firms as employers is essential for all expert groups. Employees should be seen as key stakeholders because most of the firms of the sample operate in high-tech and complex industries. So, as will become more evident in the following, a number of firms have succeeded in creating an image of a sustainable and responsible firm that helps them to attract new personnel.

Another prevalent topic is that employees are valued by participants in a more general sense. This can be exemplified by some shorter quotes of participants:

‘I believe, a very important point is appreciation, well of the person, and this is totally detached of the respective position in the firm. Also appreciating them as human beings as well as their functions accordingly.’ (MD of company F)

‘On the one hand, it is the independence of this special plant, which resulted in the brand; on the other hand, there had always been the premise to deal with people, give work to people, simply see people as the midpoint of the professional world.’ (OM of company O)

‘Also role models like my grandfather for example. I knew him for a long time. I was 15 years old when he died. I knew very consciously what he had done and how. An extreme philanthropist, I love human beings. You have to like humans, otherwise you cannot lead them. You can only push them but not lead them. No, this is a different thing.’ (Former OM of company Q)

Table 18: Valuing employees as human beings
(Source: own illustration)

The symbolic quotes above indicate that there seems to be a special way of treating employees and a special culture that involves a familiar relationship of many participants with their employees. Being a role model and setting an example by the OM, this means following the written and unwritten rules and values is supported by recent research to be an important key driver for developing such a culture (Fernández & Camacho, 2015, no page). Although, there are differences in data regarding the form and intention of such behaviour, the literature confirms that these OMs tend to have a special relationship with their employees (Hammann et al., 2009, p. 45; Klein & Vorbohle, 2008, p. 52; Schneider, 2012, p. 584). However, the literature also re-

fers to authoritarian and paternalistic management styles in SMEs (Spence 1999, p. 169), especially in family firms (Chrisman, Kellermanns, Chan & Liano, 2009, p. 12). A considerably lower engagement with employees and predominance of autocratic styles tend to be found in industries which require lower employee skills, such as hotels and catering, cleaning, textiles, and machine tools (Goffee & Scase, 1995, pp. 17-18; Nybakk & Panwar, 2015, p. 28). However, such negative examples could not be identified in this research, given the focus on high-tech firms, but also because data was only gained from interviews with managers of SMEs.

As indicated above, this special relationship is also evident in the data and it was found to consist of a number of components which are discussed in the following section.

5.2.6.2 *Employee-oriented Company Culture*

The data indicate a number of issues that are not concrete practices in the field of human resources, such as flexible working time or continuous training, as mostly addressed by the literature (Bader et al., 2007, pp. 21-22; GILDE, 2007, p. 7), but rather some more holistic components that form this special way of thinking. Concrete practices from which employees benefit will be addressed in the subsequent section. The following figure conceptualises this mentality:



Figure 12: Components of an employee-oriented firm culture

(Source: own illustration)

Before exemplifying the conceptualisation, it must be stated that there are few participants in the sample who have a rather negative picture of employees (code ‘negative view on employees’). It has to be noted that almost all of the other participants describe their employees predominantly in a positive way. Only two participants

(companies I and U), who currently are in a phase of reorganisation, described employees as being reluctant to change, indolent and complacent. This negative view may be based on the critical economic situation of the firm, which inevitably makes changes necessary. Hence, these views do not seem to be typical for the sample firms.

5.2.6.2.1 Close Relationship to Employees, Security and Fairness

There are very strong indications in the sample that there is a close and personal relationship of many participants to their employees. This closeness seems to be typical for SMEs, as also indicated by Spence (2004, p. 121). So, employees do not tend to be anonymous people to the participants, but are seen as a small family, a view that is supported by Lähdesmäki (2012, p. 173). The following points identified in the data can be used to illustrate this:

- Regular personal contact with employees (for example, knows their names, regular firm walkabouts, regular informal discussions, ‘open door’)
- Often knows families and private issues of employees (for example, meets them at firm celebrations)
- Participants are personally involved and concerned about their employees (for example, sleepless nights in economic downturns which may make layoffs unavoidable)

The participants frequently mention that there tends to be a much more human climate in SMEs compared to large corporations. This can be illustrated by the following quote:

‘Clearly, the larger the company, the more impersonal it will be. I know here all 120 staff members. I partly know their past, family, children, goals, and problems or worries. On the one hand, it is also nice that employees can trust you with something if you are responsible for staff. On the other hand, you are not only an HR person but also a listener, motivator, pastor (laughs). Yes, you are responsible for everything.’ (OM of company R)

Two aspects are especially of relevance here. First, the participant shows deep personal interest in the staff of the firm and this has been experienced throughout the fieldwork in varying intensity. This point is also supported by the results of Granerud (2011, p. 117), which indicate that relaxed, informal relations in SMEs and paying attention as well as respect to employees contribute considerably to a good working atmosphere. All this can also build and secure relationships, thereby creating social capital as a kind of protection in critical phases (see also Aragón et al., 2015, no page). More important is the remark that with increasing size this personal sphere decreases. Surprisingly, there seem to be considerable differences regarding size when this effect is experienced. One OM of a firm currently having about 150 employees but experiencing a phase of considerable growth says:

‘This firm was characterised by harmony and loyalty. It was one family. The firm is only now losing this family character. This is perhaps a normal effect stemming from the growth of the company.’ (OM of company D)

So, there could be a point in the evolution of a firm in which this family characteristic decreases. Yet, there are much larger SMEs in the sample that indicate a family character, although participants cannot know each single employee by name, the overall atmosphere seems close to what was described above. Nevertheless, the fieldwork clearly indicated a close relationship of owners or MDs of SMEs with their employees, which is also supported by the literature (Klein & Vorbohle, 2010, p. 219).

The SMEs in the sample usually aim to employ staff with a long-term view, thus ensuring very small rates of fluctuation (see also Heblich & Gold, 2010, pp. 350-351). This also includes ensuring job security for employees (code ‘job security’). However, an issue identified here is that several participants indicate security to be a concern, especially in smaller firms, as they tend to have fewer resources and may be forced to release employees during economic downturns to ensure the survival of the firm. So, there could be a degree of uncertainty for employees. However, there is a strong desire to satisfy the need of security of employees and it can be said that layoffs are the very last option for participants, as is also supported by the literature (Lähdesmäki, 2012, p. 173; Spence, 2004, p. 122). A number of firms make use of

temporary appointments and agency workers but do this for reasons of flexibility or getting to know the employees, before offering them a permanent contract. Only a few firms make extensive use of agency workers (up to 20 per cent of the headcount), in order to ensure flexibility. In contrast, a few completely reject such instruments and argue that these would reduce the worth of labour, if it can be replaced so easily. Thus, the majority of the sampled firms seek to ensure jobs for their employees and do not tend to release people simply for the sake of short-term profit maximisation as some large corporations have done in the past (Fassin, 2008, p. 371; Lähdesmäki, 2012, p. 174), but rather only in unavoidable cases. It is self-evident that SMEs have to work economically but this seems to be characterised in many cases by a more long-term perspective. There is also the tendency to keep employees, even if there is a temporary staff overhang, simply because hiring new employees is a major challenge for many SMEs in the sample. So, this behaviour could also be initiated by more economic rationalisation.

Many participants would like to treat employees in a fair manner. So, employee satisfaction is a predominant issue in many of the sample firms. This includes being honest and reliable. The following quote exemplifies the importance of employee satisfaction and its relationship to employee motivation.

‘If you are happy, you will fly. You will be creative. The knowledge you have acquired will give you wings. This means happiness and satisfaction certainly play a major role. This is something I am strongly striving for.’ (OM of company D)

This quote illustrates that the participant shows high interest in having satisfied employees, as such employees tend to show greater motivation and creativity. Overall, participants seem to strive for employee satisfaction, in order to ensure the willingness and motivation of employees. This can be seen in the SME context probably as one of the most important success factors. In a similar vein, the following statement supports this mentality:

‘It is clear: Someone who is motivated will perform better. He is more creative, more engaged. He also has less stress and any stress becomes positive stress if

one is motivated. If I get treated well and praised, when I have a lot of work, then this is a positive stress. If I get suppressed, if I get scolded, if I get flouted, then the same workload leads to negative stress till a burnout perhaps.’ (Former OM of company Q)

Here, it seems that treating employees fairly may be understood as a kind of insurance or as building social capital to prevent all the negative effects that can result out of a heavy workload and stress for employees. The discussion of Klein & Vorbohle (2008, p. 52) may support that employees of SMEs tend to show higher satisfaction than employees of large corporations, even though the salary tends to be lower and the work more challenging. This could serve as an indication that there may be something like stock of trust capital or well-being capital accumulated over a longer period which prevents such a negative development as described above.

5.2.6.2.2 *Equality of Chances, Work Pressure and Support*

Another point that was identified in the data was coded ‘equality of chances’, which also touches on the issue of fairness. Here, two issues became evident: first, integrating immigrants in the working world and, second, gender issues. Both issues have been addressed only to a smaller extent. However, regarding the first point, a surprising finding was that the smallest firm in the sample (company AB) was engaged in a programme of the local employment office and employed two apprentices with a migrant background, who otherwise would not have had a chance to do vocational training. This led to severe problems (mentality and cultural differences, language skills, low educational level, low motivation) for the firm and the participant had to invest considerable effort in helping them pass the vocational training. Meanwhile, other firms report that employees with a migrant background represent the base for internationalisation, as these employees tend to be multilingual. Given the challenges in the labour market, it seems that engagement in this area tends to be rooted in economic rationalisation, as attracting adequate employees is a critical issue for many SMEs and giving people a chance that do not have the standard CV but from a second chance learning background. Giving these people a chance may represent a major resource for SMEs, especially, if these people come into an atmosphere in which they experience respect and esteem, for the first time in their lives.

With regard to gender issues, two aspects are of special importance. First, some few participants indicate that the firm's management consists of a large proportion of women. This is an interesting aspect, especially since women still are underrepresented in leading positions, as indicated earlier. One participant illustrates this as follows:

'Here in this house, we do have a management team that consists 50 per cent of women. For a technical firm this is very unusual. This is in no way the result of any method; it was coincidence. I am not interested in gender or anything else; instead I am interested in how someone is doing his job.' (OM of company N)

Another participant (company L) reports on a similar issue, having a very high proportion of female managers also not introduced intentionally. At the same time this participant refers to a difficult situation at the regional labour market. Empirical evidence in Germany suggests that the proportion of women in leading positions tends to be higher in SMEs than in large corporations (PwC, 2014, p. 29). Here again, this could indicate that SMEs are more pragmatic and offer employees a career that would not be possible for them in other organisations. However, regarding both migrant and gender aspects, there are indications that simply firm culture, dominated by the owners or MDs, is the factor that allows such pragmatism. This may vary considerably among different SMEs. It must also be taken into account that most of the participants did not address both issues.

A final point that shall be mentioned here is that the smallest firm in the sample (company AB) allows employees to bring their children with them to work during emergencies. Here, the firm is unable to provide day-care facilities, unlike a large firm. But SMEs compensate for this with flexibility; hence, problematic situations can be solved differently. This is an indication that especially smaller SMEs often have to be much more pragmatic and apply more unusual approaches than larger firms. This flexibility may also contribute to SMEs being often perceived to have a family-like atmosphere.

Taking into account the nature of SMEs, it must be noted that as a result of the wider working area and lower staff resources, employees may face heavy workloads and

stressful situations. Issues regarding this have been coded ‘pressure and workload’. As indicated earlier, the context in which employees work has been identified as an important factor regarding how the workload is perceived. Here, two opposing views were identified. Some participants indicate that workload and pressure are not issues in their firms while others are conscious of the related problems. Both views can be opposed, as illustrated in the following table:

| | |
|---|--|
| <p>‘I believe that the increasing pace of life is challenging us. I already indicated in the year 2000 that it would become a challenge to deal productively with mental stress disorders at the workplace. They laughed at me, not just a little, they really laughed at me. Today there is no HR manager congress not discussing the theme of burn out. We also have such cases; yes we do. If there is diagnosed burn out or if it is a latent chronic herniated disc, if it is an enteritis, if it is alcoholism, I do not want to unravel all this but they all have causes. They do not necessarily lie on the side of the employer. We are as an employer a mosaic of many points but we are a crucial one.’ (MD of company Y)</p> | <p>‘I always listen to discussions that there is tremendous stress. But honestly, I cannot understand it, not for our firm. It may be different somewhere else perhaps. The theme of being available constantly, all those mobile phone stories, it certainly plays a role in making you change yourself. But we try to do our job within our working hours. We also have an emergency service but our employees get paid for that. And this is switched so that there is not too much stress. So, these are things we do but we do not have an anti-stress programme. We are too small for that.’ (OM of company N)</p> |
|---|--|

Table 19: Workload and stress
(Source: own illustration)

Both participants perceive the intensity of pressure employees may face somewhat differently. While the first participant is highly aware of such issues and describes in detail the health problems to which an overload may lead, the second participant acknowledges that digitalisation and information overflow has made the working world much more complex, but does not seem to experience the consequences in his firm. The latter also does not have any particular programmes related to stress, but intends to create a culture of good communication, as the firm is too small and does not have resources for this. Meanwhile, the first participant works closely with coaches and psychotherapists to deal with such issues. In essence, the examples above indicate two completely different approaches. The first is a professional, resource-intensive approach using the expertise of externals within the company. The

second is a more pragmatic approach, one that may be more common in many smaller SMEs.

Overall, there are strong indications that for the vast majority of participants in the sample, work pressure and related issues are not an urgent topic. Many state that stress and mental problems often have their origin in the private sphere (for example, family problems, leisure stress) and that there is only a limited influence of the firm. These participants consider it the responsibility of the employee to be aware of warning signals. At the same time, some participants emphasised that managers must constantly evaluate whether their employees have stress-related problems, and must react and talk to the employee in the case of warning signals. It was found that firms in the sample predominantly show strong interest in creating a positive working atmosphere, but structured programmes are implemented by very few firms. Again, size is not the most relevant factor; more important is the combination of the individual attitudes of the OM or MD, their sensitivity in dealing with such issues and the availability of resources, while for smaller SMEs (with around 100-200 employees), such structured approaches hardly seem possible.

However, if an employee is in a problematic situation, whether a burn out or some stroke of fate, the firms support these employees in various ways (code ‘supporting employees in difficult situations’). The following examples were identified in the data:

- Giving an employee who went to jail his old job back after he was released
- Offering general support or even coaching and therapy in case of mental illness (not only stress or work related), other diseases or addiction
- Offering alternative positions in the firm in case of illness or in times of personal crisis, in order to give the employees a chance to recover
- Handling working time flexibly in case of severe illness of close relatives

These examples indicate that there are SMEs in the sample which explicitly care for their employees and support them in difficult situations. One OM would even talk to the whole family of an employee to find out where the problem is and contribute to a solution. However, only a few participants addressed such issues. Nonetheless, the

overall nature of the relationship that most of the participants seem to have with their employees indicates that they would act in a similar supportive way. Some of the participants see such things as a business responsibility, as indicated below:

‘Such things are useful in a long-term perspective and also sustainably useful. But this also means that it is not irrelevant to me what happens to the people here, and this is true for my colleagues as well. And we get that back. So, from a business perspective, it is useful to deal with such issues.’ (OM of company N)

The overall argument here is that the firms show relatively high awareness of the well-being of their employees, supporting them in various difficult situations. But this is also rooted in a business logic that many SMEs in the sample have understood. It is that their employees are their most important capital and, hence, it is necessary to consider their needs and desires. Here it is argued that there is a special environment in SMEs, a more human and personal climate compared to large corporations, which nevertheless tends to be difficult to capture and describe as it tends to be rather holistic. In a similar vein, the results of Evans & Sawyer, (2010, p. 442) support that a positive working atmosphere is important for SMEs. Nevertheless, the themes identified in the fieldwork seem to be important components of this atmosphere but may vary extensively between SMEs. It would be interesting to follow this path and include other perspectives, such as that of employees, to verify and refine the conceptualisation developed here.

5.2.6.3 *Employee-oriented Activities*

After having discussed aspects that holistically indicate a specific working culture and environment at SMEs, the focus here is on concrete practices carried out, in order to contribute to the well-being and satisfaction of employees. Here again, the data indicate an immense plurality of undertaken practices as can be seen in the following table:

| Activity | Key points |
|-------------------------------|---|
| Offering vocational training | <ul style="list-style-type: none"> • Offering positions for vocational trainings is seen as a responsibility towards society • Apprentices close the gap resulting out of a shortage of skilled labour • Cooperative studies are used to fulfil the desire for higher qualification • Firms partly offer additional resources that can be used by apprentices (for example, additional courses, additional practical trainings) |
| Providing continuous training | <ul style="list-style-type: none"> • Encouraging employees to strive for higher professional degrees (for example, master craftsman) • Supporting employees to go to university part-time, even if the employee might then be lost to the firm in the long run • Various internal and external training possibilities (for example, foreign languages, technical skills, leadership, social skills) • Trainee programmes for junior management staff |
| Additional financial benefits | <ul style="list-style-type: none"> • Holiday pay, Christmas bonus, etc. • Profit sharing • Incentive payments (for example, for overtime, weekend work, target achievement) • Company pension system • Advance payments in case of unforeseen events • Support programme for children of employees to support stays abroad • Capital-forming benefits • Additional payments for medicine • Supplementary insurance |
| Flexible working time | <ul style="list-style-type: none"> • Arranging working hours flexibly • Long-term overtime accounts • Part-time jobs, home office, work-life balance and family friendly employment • Sabbaticals |
| Health management | <ul style="list-style-type: none"> • Health days • Medical examinations • Nutritional consultation, providing literature on nutrition and healthy food in the canteen • Seminars related to stress, non-smoking |

| | |
|---------------------------------|---|
| | <ul style="list-style-type: none"> • Sports groups (for example, running) and courses (for example, yoga, relaxation) • Paying the membership fee for a gym, installing a gym in the office • Offering physiotherapy • Contact person for stress-related burn out and coaching |
| Ergonomic working conditions | <ul style="list-style-type: none"> • Technical equipment in the production (for example, to carry heavy loads, allow work in upright position) • Use of automation, robotics • Ergonomic work materials (chairs, screens) • Noise protection • Occupational safety specialists and certifications (for example, 18001) |
| Providing additional facilities | <ul style="list-style-type: none"> • Cafeteria, canteen • Outside facilities (for example, pavilions) for employees • Creating a pleasant atmosphere (for example, pictures, design of a backyard) • Day-care centre (in cooperation with other firms) |
| Job rotation | <ul style="list-style-type: none"> • Avoiding dull activities through rotation of staff (short-term) • Providing the chance to move to a different position (mid-/long-term) |
| Events | <ul style="list-style-type: none"> • Summer festivals, Christmas parties • Open house days |

Table 20: Employee-related activities
(Source: own illustration)

Not all participating firms can be involved in all identified activities, so the table primarily represents a collection of practices that considerably extends practices identified by other scholars (for example, Santos, 2011, p. 496). The intensity of employee-related activities is remarkable, as firms tend to be involved in several activities, a view that is also supported by Hoffmann & Maaß (2009, p. 22). The dual vocational training system in Germany is a traditional pillar of the educational system (Herrigel, 1996, p. 52). The fieldwork indicated that all participating firms are involved in vocational training and many consider it their social responsibility to support young people to find a way into professional life (see also Klein & Vorbohle, 2010, p. 219). Some have an apprenticeship ratio of more than 10 per cent

of the headcount. A considerable number of participants indicate that a future need of employees should be mostly covered by the company's own apprentices. So one observes a tendency in the sample SMEs to educate their own staff, which is also indicated by Bader et al. (2007, p. 22).

Two aspects are especially of interest here. A majority of the firms reported facing severe problems in finding adequate applicants for vocational training. Therefore, a few decided to engage in social activities for employees and position themselves as attractive employers. This seems to have been a fruitful strategy, as they no longer have any problems in attracting applicants, which apparently seems to be a problem for many other firms. Another issue is that some firms do not tend to hire the typical streamlined applicant, but rather apply a more diverse view and give applicants a chance to develop qualifications through the educational system, as indicated above. A reason for this might also be that SMEs experience a lack of the 'standard applicant', as such applicants tend to go to large corporations or directly to university, given the tendency to strive for higher qualifications (Hummel et al., 2010 as cited in Kay et al., 2010, p. 28).

Moreover, the results here are supported by Hoffmann & Maaß (2009, p. 22) whose data indicate that continuous training is widespread among SMEs, as 71.9 per cent of the SMEs seem to be engaged in such activities. Many participants show considerable interest in the professional development of their employees. Hence, professional seminars, courses, internal trainings, and so on are common forms of continuous training in the participating SMEs. The importance of training has also been supported by the international literature (Bos-Brouwers, 2010, p. 426; Lawrence et al., 2006, p. 248). However, these are managed predominantly in an ad hoc way and are seldom structured in both smaller and larger participating SMEs (see also Bader et al., 2007, p. 22). A surprising issue that was identified is supporting employees to pursue a university education after completing vocational training. This is vividly exemplified in the following quote:

'I would like to have people who have a different choice, and when we open a door for them we mostly get positive feedback and appreciation. Then we try to convince them to do vocational training with us. At the moment, we are 80 per-

sonnel; we have four colleagues who are studying extra-occupationally. We finance this 100 per cent. In this we are absolutely unusual, I know it. We are a bit mad economically because at the end of the day I will lose these persons. I know it. But my philosophy is this: We think about a young colleague who has done his A-level, he did a vocational training with us and now starts studying. He will be with us until he turns 30. So I have 10 great years with the employee, and say okay, I will finance his studies and keep him longer by doing so. The alternative would be that he leaves the company to go study and finances this himself. But then I would not have any influence. This is our approach.’ (OM of company N)

Most of the activities in the area of continuous development have the intention to increase the quality of the staff and therewith the competencies of the firm. So, we can assume a business logic behind the activities related to education; however, with regard to the above quote, a number of participants also indicate a more altruistic motivation as they would always encourage an employee to go to university, even if that meant the employee would leave the company. Hence, it seems that some participants feel obliged to support the further development of employees, which represents a major contribution to society in a more general sense.

Regarding additional financial benefits, there is the strong tendency that, compared to large corporations, SMEs offer fewer financial benefits to employees. They simply cannot afford it due to the resource scarcity typical for many SMEs, as also supported by Lynch-Wood & Williamson (2014, p. 472) and Sen & Cowley (2013, p. 421). Many participants acknowledge that employees in SMEs often get lower wages; however, they try to compensate for this by letting them participate in successful years and share a part of the profit with them. So, it can be concluded that participants want to increase the well-being of employees financially but prefer flexible mechanisms for doing so.

The literature further indicates that flexible working hours are a widely used instrument among SMEs (Bluhm & Geicke, 2008, p. 5703; Hoffmann & Maaß, 2009, p. 22) and this was also identified for the sample firms in this study. Firms seem to offer employees relatively great flexibility, such as overtime accounts and flexible working hours. As some participants indicate that there could be a great imbalance

regarding the workload, this kind of flexibility seems important to the participants, as it allows them to flexibly manage the workforce in the firm. Besides, there is also the tendency that employees today attach high importance to work-life balance. A number of SMEs are aware of this and wish to satisfy this need. For instance, the OM of firm AD points out: 'I usually do not want that people stay longer than eight hours. We do not need overtime. Instead, it is important that we use the time efficiently.' However, given the scarcity regarding personnel resources and the personal responsibility of each employee, there are indications in the sample that employees have to perform well. This is also reflected in the discussion of Klein & Vorbohle (2008, p. 52), who indicate that in many cases employees have to work harder than employees in large corporations, because of the lack of resources, but at the same time earn less money.

An interesting aspect is that some firms use job rotation. One firm (company O) rotates the staff every hour in production to avoid that tasks become too moronic for employees. This also has the advantage that every employee can take over almost every task, which provides the firm with greater flexibility. Others apply a more long-term perspective and actively analyse whether employees can be switched to other positions that may be more suitable for them.

The discussion above revealed that the firms undertake a great variety of employee-related practices. There are firms in the sample which are involved extensively in a number of activities and, hence, show great effort in becoming an attractive employer. However, the fieldwork indicates that for many firms, additional benefits for employees that can be used to differentiate themselves are hard to finance, given the loss of flexibility inherent to such instruments. Similar to the results of Walther et al. (2010, p. 93), it was identified that activities such as flexible working time, vocational and continuous training are most widespread, but there is a much greater variety of activities that are used in SMEs to a much lesser extent. Within the sample there is no clear tendency whether larger firms have more resources to invest. There are smaller firms that show strong engagement in such areas, whereas larger firms do not do so with a similar intensity. To derive valid findings regarding this, a much larger sample size and different data collection methods would reveal more robust findings.

An institutionalised instrument aiming to protect employees' rights is the works council. Findings regarding the works council will be addressed in the following section.

5.2.6.4 Role of Works Councils

According to Schlömer-Laufen, Kay & Holz (2014, p. 1), works councils can be used to evaluate how firms show responsibility towards employees, since their establishment is not obligatory, though regulated by law, as indicated earlier (see section 2.2.1.4.1.2). The topic of works councils was not directly asked for when talking about employees, in order to avoid the discussion from being negatively affected; however, many participants addressed it themselves and the issue was then followed up. For many participants, works councils seem to be an important aspect when talking about responsibility towards employees. Hence, the views of participants on the establishment of works councils as well as their experiences in collaborating with representatives of the councils will be addressed in the following.

The literature indicates very low dissemination of works councils in German SMEs (Ellguth & Kohaut, 2012, p. 302; Schlömer-Laufen, 2012, p. 1). However, there seems to be a strong relationship with company size. While more than 90 per cent of larger firms with more than 500 employees have established works councils (Schlömer, Kay, Rudolph & Wassermann, 2008, p. 254), the number decreases substantially when looking at smaller firms. Two aspects are of particular importance here. First, as indicated above, the establishment of works councils reduces significantly with decreasing firm size. Second, firms managed by owners seem to have a considerably lower dissemination of works councils (Schlömer-Laufen, 2012, pp. 1-3). Although the general dissemination of works councils in SMEs is not within the scope of this research, the views of participants on works councils are considered.

Many participants indicate that they have a trustful and open collaboration with works councils. This is also supported by the literature, as, for instance, Schlömer et al. (2008, p. 256) indicate that the great majority of almost 90 per cent of the firms seem willing to work collaboratively with works councils. In this sample, especially MDs consider it important to communicate openly with members of works councils. This is illustrated by the following quote:

‘And when HR managers are ranting at congresses for half a day about their works councils, I reply: Everyone has the works council he deserves. Then there is silence. Then five reply: Everyone can tell us this. You have no idea how it is at our company. And then I repeat the same sentence again and three ask: What does this mean? Then I reply: What function do your members of the works councils have? My chair of the works council is a manager, he attends all management meetings, I give him all earning figures every month, he receives the same reports as the advisory board, he knows everything. —But what if...?— Yes but why should he tattle? If I tell him: This is for you. I want you to be a crucial part involved in the development of this firm, you are informed about what we do, and I inform you extensively, much more than I have to. When we believe that works councils are the enemies of the firms, then we have not yet understood how important employees are.’ (MD of company Y)

This quote indicates that actively managing the relationship with the works councils is important, as conflicts indeed have a negative impact on the firm (for example, prevention of organisational changes or changes to work time regulations).¹² But other participants have a rather negative view on works councils. One MD states that they were lucky to have not had a works council, but instead an informal employee council. However, this changed at the end of 2014, when there was a layoff of employees. The employees then initiated establishment of a works council at company T. This example corresponds with the discussion of Schlömer-Laufen et al. (2014, p. 15), who indicate that uncertainty and economic hardships increase the willingness of employees to establish a works council (see also Welge & Witt, 2013, pp. 190-191). Hence, ensuring security may reduce the probability that a works council is initiated by employees. Furthermore, the example indicates that there are alternative ways of employee representation, as also indicated by the literature (Hauser-Ditz, Hertwig & Ludger, 2006; Stettes, 2008). However, in this sample, the participants indicated employee councils and workforce representatives as instruments, but very little was said about such instruments.

¹² See, for example, §87 Betriebsverfassungsgesetz (Works Constitution Act).

Remarkably, firms in which owners are part of the management (alone or together with an MD) have a more negative view on works councils and some OM's seem to accept the establishment of a works council only reluctantly. For instance, an OM states:

‘This certainly depends on the people sitting at the table. You cannot ignore the law; you have to accept that someday as an employer (laughs). Thus, one has to find a compromise. On the other side, the power of the works council is immense and if it starts to abuse this to harm the firm, things will become critical at some point.’ (OM of company V)

This participant also reports negative experiences with the works council (for example, when relocating part of the production). He emphasises that it is important to collaborate with the works councils, but because there is no alternative. This should not indicate that the owners are not interested in the views of their employees, as also indicated earlier. Given the nature of SMEs one can assume that any formal and bureaucratic instrument is principally seen as negative. Additionally, the establishment of works councils is related to cost. There is one example in the data which exemplifies how employees may be prevented from establishing a works council. One participant (MD) of a firm that is managed by two owners and himself states:

‘This, of course, is a cost block that has not yet been considered. If one has to make available members for the works council, you have to do so. This costs money and one has to consider this somehow in the company planning. We currently want our employees to get an additional payment of EUR 1,000 if the company runs well. Logically, if there is a works council and it costs money, then we have to reconsider these costs. We are focused on a reasonable collaboration involving exchange, but if there is a works council what would be the benefit for employees? This is always the question.’ (MD of company Z)

One must take into account that the company currently makes use of workforce representatives. Nevertheless, the quote indicates that the firm would probably reduce the bonus to cover costs accruing from the establishment of a works council and also use this as a form of pressure to prevent employees from initiating a works council.

As indicated by Schlömer-Laufen et al. (2014, p. 15), owner-managed firms have to bear costs related to the establishment of a works council, which may increase the rejection of works councils, as is exemplified by the quote above. Additionally, owners seem to be sceptical about external influence that cannot be controlled, as can be illustrated by the quote of a former OM:

‘I must say we have had them for two years now. As an old patriarch 76 years of age I believe it is an impossibility. Sorry that I say that. I can hardly understand it. 30 years and we have had no works council. I am not against a works council in general. I am against a works council that is influenced externally. This is my problem. Just the contrary. Management has to be shown what can be done. And these gentlemen cannot do what they want in the company; they have to respect the people.’ (Former OM of company M)

This quote vividly describes the view of the participant on works councils. He does not seem to be against considering the demands of employees in general, as the firm had workforce representatives before the works council was established, but he fears external influence (for example, trade unions) which may not decide for the good of the firm. This naturally limits decision-making and entrepreneurial freedom and, hence, independence, which has been identified earlier as one of the most important motivating factors for an SME. This point is also supported by the discussion of Schlömer-Laufen et al. (2014, p. 15), who identify in the literature a relationship between the striving for independence of owners and a critical attitude towards the limitation of entrepreneurial freedom that could result from the establishment of works councils. Welge & Witt (2013, p. 190) remind us that firms in which the OM or MD has a positive attitude regarding works councils, show a higher probability of having established the respective instrument, compared to firms that show a strongly negative attitude (see also Helfen & Schuessler, 2009, pp. 234-235).

The empirical findings of Schlömer-Laufen (2012, p. 120) support what was experienced throughout this fieldwork, that firms in which an owner is part of the management are less welcoming of works councils than are manager-led firms. This results in a much lower dissemination of such councils. According to her, a reason for this could be more informal ways of participation, loyalty or the fear of conflicts

with the owner. From the perspective of the researcher, there is no absolute need for works councils to be established in SMEs. This might be truer still for smaller SMEs, especially as recent research has indicated that alternative forms of representation could be useful alternatives (Hauser-Ditz et al., 2006, p. 505) and tend to be more compatible with the informal nature of SMEs. So, we cannot equate a low establishment rate of works councils with ignoring or even violating the rights or needs of employees, as the participants in the sample see responsibility towards their employees as the most important factor, which is widely supported in the literature. Moreover, some firms might be pressuring employees to avoid establishing works councils. In line with Schlömer-Laufen (2012, p. 120), it would be helpful to learn more about why works councils are established to such a low extent and further research should actively pursue this agenda.

Overall, employees are the most important stakeholders of SMEs. Various activities are carried out by SMEs in the sample to contribute to the well-being of employees. However, the most important aspect here is not the sum of individual activities, but rather a special responsibility culture that was conceptualised above. As indicated by many participants and supported by the literature, there seems to be a more human firm culture in many SMEs. However, this culture is predominantly determined by the owner(s) and MDs, and hence may vary from firm to firm. Some years ago, Wagner (1997, pp. 412-421) painted a dark picture of the quality of work in German SMEs compared to large firms, as he, for instance, indicates that wages are lower, additional benefits are lower, there is a lower job security, continuous training possibilities are lower, and channels of employee participation are less established. Overall, he concludes that the job situation compared to large firms is worse. It is this special culture, this more human culture that compensates for many of the aforementioned points. Whether this is true in such absoluteness or not is debatable, but it still ensures that SMEs can be successful. Nevertheless, the management of SMEs should be aware of the firm's culture and should actively contribute to it. Given the resource scarcity faced by SMEs, this might be the only and most practical way to enhance the well-being of their employees.

5.2.7 Ecological Dimension

5.2.7.1 *Relevance of Ecological Aspects to SMEs*

The data indicate immense variations in how the importance of the natural environment is evaluated. This ranges from being extremely conscious of diverse environmental challenges and threats to an absolute neglect of issues, such as human-initiated climate change. However, the ordinary firm that does not show special environmental consciousness seems to dominate the sample. This is not surprising, as for instance, Kürzinger (2004, p. 245) concludes that the real challenge is to convince those ordinary firms to engage in environmental improvements, in order to improve the overall environmental performance of SMEs.

The ordinary firm seems rather neutral to environmental challenges or has a localised perspective. The findings here support the literature in indicating that SMEs do not see the environment as a priority, but focus instead on social issues, for example, in relation to their own employees (Bluhm & Geicke, 2008, p. 5703; Hoffmann & Maaß, 2009, p. 24; Mittelstädt et al., 2013, p. 18). The following statement exemplifies this prevailing attitude and indicates that the participant does not see any environmental problems: ‘Unless we were to dump acid into the ditch here or something like that. No, this is not the case with us. Insofar, we are really very carefree’ (OM of company B). This unawareness is also supported by Klewitz et al. (2012, pp. 452-453), who indicate that half of their participants in German SMEs evaluated environmental sustainability as irrelevant to them (see also Lynch-Wood & Williamson, 2014, p. 474).

Moreover, the findings necessarily have to be evaluated within the societal and legal context in Germany. In this regard, there is a strong legal regulation of environmental issues and simply obeying the law demands a lot from firms (Klein & Vorbohle, 2010, p. 220; Meyer et al., 2009, pp. 48-58). Consequently, there are participants who believe that complying with environmental regulations does sufficient justice to consideration of the environmental dimension (code ‘legal regulations’). Elsewhere, compliance with the law is an important factor (Masurel, 2007, p. 196). This is also reflected in the following quote:

‘I say very simply that we fulfil the existing law. We are operating in Germany, we also have a production unit in Germany and, in my opinion, we are doing enough with regard to the environment. I do not have to do more necessarily and I cannot afford it in the current case. To do more would also cost more money. This is luxury. I will look at it when someday money simply rains down on us, but this is not the case at present.’ (OM of company V)

The above firm works in the electronic industry and faces high competitive pressure from Asian firms. The participant believes that the firm lacks the resources to invest in advanced techniques to reduce environmental impact. It was found that this participant had a strong negative attitude to the extensive regulations, firms have to consider. However, the participant states that the firm performs activities that increase efficiency and reduce energy consumption, which implies an economic motivation.

Other participants partly question the sense of some regulations, such as restrictions regarding new buildings (for example, reservoirs for rainwater in case of extreme rain showers, flooding) that are difficult to implement for some firms. However, there are no indications in the data that firms in the sample violate environmental regulations. This may be due to at least two reasons: (i) It is not acceptable to violate given norms and regulations and (ii) a violation may lead to sensitive fines. Nevertheless, Wilson et al., (2012, p. 152) find that the impacts of legislation might be overstated, at least when there is lack of enforcement and support.

Aspects regarding environmental awareness have been coded ‘showing environmental awareness’ and ‘indicating a lower relevance of environmental issues’. A few firms in the sample can be characterised as very environmentally conscious, but some show high consciousness as the following quote exemplifies:

‘No, we do not have to, but yes we want to. We do not work with any critical chemicals. Nor do we work with any critical materials which require special treatment. To me this means complying with certain laws. I have to implement certain ecological procedures to be able to work. The regulations are becoming more severe and we have to build a new hall because the older one does not meet

the standards any longer, or we must introduce new processes. No, for me it is important to care about sustainability.’ (OM of company D)

This participant may be seen as a role model for the environmentally conscious OM, as he is strongly engaged in a variety of different activities ranging from extremely efficient production processes to making use of regenerative energy and striving to be carbon neutral. He is also willing to implement activities that do not offer a positive financial return and, thus, also accepts higher costs, as he is personally interested in new technologies, especially those related to the environment. Another aspect that the participant mentions is that in the past the firm’s profits have been re-invested in the firm and in ecological projects. This quote reveals two issues.

First, this emphasises the overall importance of the attitudes and beliefs of the owner, as also indicated by Burton & Goldsby (2009, pp. 99-100) and recently supported by Boiral et al. (2014, pp. 376-377). The findings here are supported by Hatak et al. (2015, p. 296), who find that a positive attitude towards sustainable development can be seen as the most important motivation for initiating more sustainable business practices.

Second, Enderle (2004, p. 52) has written about spaces of freedom to engage in responsibility issues. There certainly are many SMEs that are in a severe competitive position and achieve only low margins. In such firms, there is limited space for engaging in responsibility; this may include especially small firms having less than 50 employees (for example, company AB). However, the data also indicate that there are firms in the sample which generate good profits. The question here is not, if there is an overall space of freedom but more if, from the subjective point of view of the owner or OM, there is space to engage more substantially in sustainability. This subjective view ultimately determines whether a firm is willing to invest in sustainability activities. For instance, one participant indicated that the firm is in a comfortable financial position, but that the main processes are not yet running smoothly, which relates to limited resources for other purposes such as environmental management. This participant states the following:

‘The environment does not play a role, whereas we have to pay attention to our products. Indirectly, there are activities such as using new technologies, energy-saving things, but it is not a priority. It would be a lie for one to claim this.’ (MD of company A)

While this firm, and several others in the sample, are in a good financial position, protecting the environment is not of high priority, which indicates a completely different attitude compared to the previous participant (OM of company D). This is the dominant attitude in most of the sample companies. As will become more evident throughout the following discussion, many firms are still engaged in a number of activities related to the environment, such as reducing energy consumption, recycling, waste reduction and so on. However, this is done because it reduces costs.

While Klein & Vorbohle (2010, p. 220) found considerable neglect of environmental issues, this cannot be confirmed for the sample used in this research. However, it can be argued that environmental activities are not carried out because of environmental awareness, but in order to reduce costs and consider legal regulations. Other participants report that they care for environmental aspects because a modern image may help to convince potential customers, as stated by the following participant:

‘When we can prove that we are independent from electricity supply, even give electricity back by means of solar panels, a combined heat and power unit, heat recovery and so on, then the situation is different. Well, market presentation is very, very important. Perhaps it is something like combining useful with enjoyable business.’ (MD of company G)

According to this, investing in environmental activities may provide a benefit that goes beyond pure cost savings, as customers could be more willing to do business with firms that are recognised as modern and associated with a positive image. This may also support attraction of employees, as great parts of society now show relatively high awareness of environmental issues (for example, BMU/UBA, 2015, p. 11; Rogall, 2009, pp. 49-50) and it is reasonable to assume that even potential employees consider such issues, at least to a certain extent. In a similar vein, Masurel

(2007, p. 196) finds that environmental activities may be rooted in the belief of contributing to the well-being of employees.

There are also firms in the sample for which selling environmentally friendly products is part of their business model (company H and N). These firms argue that implementing advanced environmental mechanisms and management systems is only consistent, as they have to know their business. Such firms can report on their experience to convince customers to behave in a more environmentally sound way. The following quote provides an interesting insight:

‘I think it is getting better. Two to three years ago, as we started to deal with these topics—though we have cared about the theme of energy longer—it was very difficult. So, I have experience that there is a change in the perception. But it is as I said earlier: 50 per cent take it seriously and 50 per cent do it because it fits well with their marketing concept. It is getting better, but there is still a long way to go.’ (OM of company N)

This issue (and also the points discussed earlier) will be discussed later in more depth (see section 5.2.8) regarding the extent to which engagement in sustainability by SMEs is motivated by an intrinsic belief to do the right thing, as is reflected so widely in the literature (Evans & Sawyer, 2010, pp. 439-440; Jenkins, 2006, p. 252; Klein & Vorbohle, 2010, p. 220; Longo et al., 2005, p. 37; Spence & Rutherford, 2001, p. 135), or whether an economic rationale dominates, as indicated throughout the discussion in this chapter.

A final point that will be considered here is that there is a dilemma for owners or managers of firms, since the current economic and political system does not necessarily support more sustainable business behaviour. This leads to the point that firms, in the best case, can reduce their impact on the environment, but never become sustainable enough to reduce their impact to zero. Hence, regardless of how environmentally conscious they are, SMEs inevitably face the dilemma of having to decide to damage the environment. But there is room to make this decision, as indicated by the following quote:

‘I would say you cannot prevent everything. We are living in the 21st century and the intelligence of our scientists has created this so that we benefit today. We do not have to take the bicycle anymore, we go by car. This also ought not to be but we have different choices. I can drive a 20-litre car or a five-litre car but I have to use a car. We are taking these possibilities to choose very seriously and weighing them.’ (OM of company O)

From the perspective of the researcher, the quote vividly illustrates that this possibility to decide is the decision of every individual, be it a private person or an owner or manager of an SME. The prevalent attitude is that environmental issues are a priority and mostly undertaken to reduce operating costs (energy, material), a view that is supported by Meyer et al. (2009, pp. 131-132). Engaging in such issues can be an important contribution to protect the environment; however, given extreme environmental threats and challenges, such as climate change, it is unlikely that the situation can be changed substantially. The discussion moves on to provide an overview of the concrete practices conducted by the sample firms in the environmental sphere.

5.2.7.2 *Activities in the Environmental Sphere*

The data indicate that firms in the sample are engaged in a number of activities and the literature supports that the vast majority of SMEs tends to be engaged in environmental practices (Hoogendoorn et al., 2015, p. 775). This is surprising as earlier it was argued that parts of the literature suggest that the environment is not a priority for most of the participants (Klein & Vorbohle, 2010, p. 220). Similar to the findings of Evans & Sawyer (2010, pp. 444-445) and Heblich & Gold (2010, p. 350), one may conclude that participants underestimate their activities in the environmental domain. This contradicts the findings of parts of the international literature, which indicate that there is relatively high awareness of environmental issues, but this awareness is not translated into practice (Cassells & Lewis, 2011, p. 198; Gadenne et al., 2009, p. 60; Tilley, 1999, pp. 240-242), even though this gap seems to have decreased, as indicated by Revell et al. (2010, p. 279).

Here, the focus is on concrete practices. Aspects regarding the management approach, such as the implementation of a certified environmental management pro-

gramme, are not understood as an individual practice in this research and will be discussed later in section 5.2.10. Analysis of the data reveals the following practices of the SMEs in the sample:

| Activity | Key points |
|---|---|
| Recycling | <ul style="list-style-type: none"> • Preparing and re-using resources (for example, water, oil) • Purchasing recycled material • Waste separation |
| Biodiversity | <ul style="list-style-type: none"> • Biodiversity lawn • Protecting and resettling animals in construction projects (in this case, amphibians) • Supporting local reforestation • Using paper from sustainable forestry |
| Integrating ecological considerations in products | <ul style="list-style-type: none"> • Ensuring that products can be easily recycled • Anticipating future regulations regarding energy conservation • Minimising the use of electricity by electronic devices • Developing a modularity concept for products that allow upgrading and adding new features • Implementing solar cells in a product to avoid the use of batteries and reducing the necessity of technical service • Ensuring durability of products, rejecting planned obsolescence • Adding a sustainable feature to products, such as payments in renaturation projects |
| Preventing pollution | <ul style="list-style-type: none"> • Avoiding and minimising exhaust gases • Replacing toxic materials • Reducing noise emissions • Salvaging wastewater • Using ecological oil for machines • Ensuring that used materials do not pollute groundwater or similar aims |
| Vehicle fleet | <ul style="list-style-type: none"> • Offering a charging station for electric cars • Selecting fuel-efficient cars or cars with alternative motors (gas, hybrid) for the car pool • Monitoring carbon emissions of the vehicle fleet • Additional payments for employees who have company cars exceeding a certain motor power |

| | |
|-------------------------|--|
| | <ul style="list-style-type: none"> • Driving courses for lorry drivers of the firm to behave in a more fuel-efficient manner |
| Improving processes | <ul style="list-style-type: none"> • Introducing multi-use packaging systems • Lean management, KANBAN • Increasing resource efficiency (for example, using lasers, reducing the need of fresh water for processes, lacquer) • Minimising transport routes through a combination of processes, minimising the interim storage of goods |
| Using green electricity | <ul style="list-style-type: none"> • Making use of suppliers of green electricity |
| Producing green energy | <ul style="list-style-type: none"> • Making use of solar panels, heat pumps, geothermal energy, combined heat and power units, woodchip heating, hydroelectric stations, biogas plants • Heat recovery from machines • Preferring gas to oil heating systems |
| Saving energy | <ul style="list-style-type: none"> • Making use of energy-saving lamps, LEDs • Selecting energy-efficient machines • Minimising waste of energy (turning off electronic devices like PC screens, lights, etc.) • Not using air-conditioning systems but instead making use of intelligent ventilation systems • Improving the energy insulation of buildings • Reducing the number of extra tours of company cars • Choosing transport companies by considering environmental aspects |
| Saving resources | <ul style="list-style-type: none"> • Reducing the amount of paper used (for example, less printing) • Reducing water consumption, resource efficiency (see above) • Making use of rain water |

Table 21: Natural environment-related activities
(Source: own illustration)

The table shows that firms are involved in many activities that go beyond legal regulation. This finding is also supported by Hoffmann & Maaß (2009, p. 24), who conclude that despite the high legal standards imposed on firms in Germany, there is room for additional engagement in reducing the environmental impact of firms (see also Bürgi, 2010, p. 164). This is in contradiction to Klein & Vorbohle (2010, p.

220), who find that voluntary environmental issues are strongly neglected by firms. This difference could be explained with the focus of this research on industrial manufacturing SMEs, which are considered to be engaged more strongly in environmental activities given the nature of their operations and the respective impact on the environment (Bradford & Fraser, 2008, p. 167; Holland & Gibbon, 1997, pp. 11-12; Uhlaner et al., 2012, p. 422).

Similar to the literature (Cassells & Lewis, 2011, pp. 191-193; Klewitz et al., 2012, p. 452), the data indicate that practices related to areas like waste and energy are most widespread. While a certain level of engagement can be confirmed here, there is a strong tendency that activities are motivated by an economic rationale—for example, saving resources or saving energy—which is related to lower costs. Only a few activities are not related to either complying with legal standards or reducing costs. Such activities are, for instance, related to biodiversity, choosing green energy or using ecological oil. A surprising result is that contributing to biodiversity is, with the exception of one participant, not at all an issue. Several participants have chosen green energy suppliers; however, this has only marginally resulted in higher costs.

The overall attitude can be exemplified by the following quote:

‘Of course, we have one on the roof, a solar panel system. But it would be a lie to say that is purely because of idealism. I believe that an entrepreneur cannot necessarily afford such things. These things are not our main objectives, they simply are economic aspects.’ (MD of company A)

Here, it becomes evident that installing systems to produce green or environmentally friendly energy cannot exclusively be explained by an altruistic attitude of the owners or managers. It is important to note that such systems have been considerably subsidised by the state in the course of the ‘Energiewende’ (energy transition), which aims at cutting carbon emissions considerably, for example, by increasing the production of green energy (see for details Weimann, 2013), so that those systems become profitable; otherwise, a firm would not invest in such an engagement. So, there is a strong economic stimulus to install such systems. This also touches on how profit is used, as earlier it was indicated that firms can afford such investments

but the central question was, whether the owner is willing to do so. Addressing the same issue, another participant states the following:

‘Or we will invest in solar panels for our own consumption. These are all projects that do not amortise in a traditional three-year period but pay off wonderfully in a 10 year period and, in parallel, have an ecological effect.’ (OM of company K)

This quote illustrates at least two important points. First, it again refers to the long-term perspective that has been addressed several times throughout the discussion but second, and more importantly, it becomes evident that participants recognise the environmental dimension of such investments. Especially in the case of this participant, his overall argumentation is based on the thinking that being engaged in sustainability is always beneficial from an economic standpoint. This point will be taken up again in the following section (see section 5.2.8)

Several participants indicate that a problem related to further environmental engagement is that time is needed to find alternative non-toxic substances or ecological oil, as these have to be identified, tested and so on. In the light of the limited resources discussed earlier, this inevitably reduces the possibility and the quantity of undertaken practices. In a similar vein, advanced environmental processes may require prior investments in technical equipment and the knowhow of employees, among other things. Here, financial limitations play an important role especially for smaller firms, which are sensitised, but may not be able to create the base for further engagement:

‘It makes a lot of sense but many things cannot be realised due to related costs. Using special equipment to prepare the oil in a certain way is financially not possible because it simply is a side effect. Yes, this is critical at our firm.’ (Executive at company L)

Given the limited sample size, firm size could not unambiguously be identified as an explanation for the intensity of the engagement in environmental measures. There are rather large SMEs in the sample which seem neutral to this aspect. They have the respective certifications but do not live them, whereas smaller firms show detailed

awareness and strong engagement (see also Hoogendoorn et al., 2015, p. 775). This is supported by the findings of Baumann-Pauly et al. (2013, pp. 697-698), who indicate that industry and the personal motivation of the owners explain sustainability engagement rather than size. There are small SMEs in the sample (for example, company AB) that lack the resources for such intense engagement, but there might be a certain point where company size ceases to be a determinant.

Another important aspect is that firms which engage in environmental measures at some point find that the benefits of this engagement decrease. This is reflected in the following quote:

‘Naturally, at some time a limit is reached. The curve is becoming more and more flat. Then again, you can gain a further advantage through the linkage of processes, which we do. To reduce or cancel transport routes, as this does not only save money or time but instead also resources.’ (OM of company W)

This quote seems especially important as it indicates a kind of evolutionary process in the development of environmental activities. It is likely that firms begin their engagement with relatively simple isolated practices (for example, replacing lamps) but if the engagement is continued, a point will be reached when individual practices will not deliver a benefit (here probably a combination of an economic and ecological effect is meant), as is also indicated by Steger (2006, p. 417). In order to create further benefits, different processes (for example, production steps) have to be linked, such as a combination of producing tools and directly afterwards painting them, as this reduces organisational efforts to transport those tools and failures can be identified much earlier. These advanced processes may then result in higher efficiency (also environmentally) but at the same time requires high technical expertise. In this case, it seems possible even for smaller SMEs as the current example firm (company W) has about 140 employees.

The data indicate that environmental aspects are also related to the product level, such as energy efficiency. In this regard, a last point that is important for this discussion is the remark of one participant, who refers to the durability of his products. The participant notes:

‘But this is also sustainability. We do not build products that get broken. Instead, we build products that work. It could be that others behave differently.’ (OM of company V)

The discussion above reveals that this participant has to be characterised as being driven by legal compliance rather than showing proactive behaviour. However, he connects environmental sustainability to the durability of his products and indicates that planned obsolescence is not an issue for him. Obsolescence nowadays is a widely discussed issue (for example, Kreiß, 2014). Planned obsolescence can, according to Bulow (1986, p. 729), be defined as ‘the production of goods with uneconomically short useful lives so that customers will have to make repeat purchases’. The participant reports on examples in which customers report on very long durability of the products and that this leads to lower sales, as customers do not have to replace the products. But this is not a reason to reduce the durability of products. At the same time, it may enhance the image of the firm and lead to loyal customers, which also has a positive economic effect and contributes to the desire to have long-term relationships with customers.

The discussion shows that although the environment does not seem to be given high priority, firms are engaged in several practices. This contradicts the international literature that partly reports on an awareness-practice gap. This could be explained by strict environment-related legal norms and economics-driven practices, which especially in manufacturing firms seem to deliver an economic advantage (Brammer et al., 2012, p. 431; Simpson et al., 2004, p. 168). The environment may not be perceived as something that requires protection, but rather as one aspect of doing business.

In summary, considering a theoretical perspective, the environment is not considered as a stakeholder. This may support the problems of stakeholder theory to be feasible in order to conceptualise sustainability appropriately, as there seem to be severe problems regarding the consideration of non-social stakeholders (natural environment, biodiversity). This can be seen as a major weakness of the concept. Arguing from a more holistic societal perspective, the importance of the natural environment cannot be overemphasised (for example, threats through climate change) and in the

current situation the environment should be the most important of the three sustainability dimensions. Whether the environmental dilemma can be solved through increases in efficiency is at least questionable. From the perspective of the researcher, firms should also engage in activities that do not offer a win-win situation but at the same time have a strong positive environmental impact although this may lead to lower profits. We should acknowledge and accept that becoming more sustainable is related to costs, which otherwise would have to be borne by the society and future generations. If we are unwilling to do so, the question is, whether we should use terms like sustainability to discuss phenomena related to the environment or society in general or, if other terms would be more appropriate.

Above, there is a strong economic rationale. For this reason, the following section discusses motivational aspects, while aspects of the management approach will be addressed later (see section 5.2.10).

5.2.8 Motivational Aspects

First, aspects regarding the motivation to engage in sustainability or responsibility issues have been addressed earlier and indicated predominantly an economic rationale. However, this needs further examination and many statements by participants, explicit ones or rather latent comments, may allow analysing why they act how they do. This also includes whether participants believe in a business case and in which areas they expect such a business case. The analysis of data leads to development of the following codes that may be useful to describe the phenomenon:

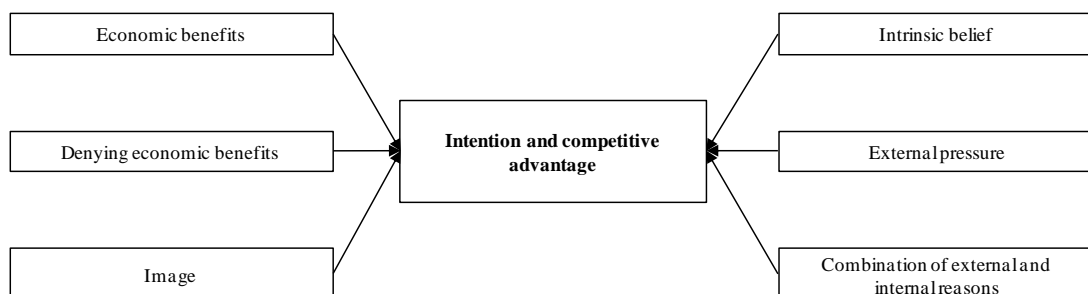


Figure 13: Motivation to engage in sustainability
(Source: own illustration)

The figure indicates that there may be a motivation for economic reasons (for example, an increase of efficiency, lower costs) or an improved image. A number of participants denied that there could be an economic advantage of sustainability activities ('denying economic benefits'), as, for instance, customers are unwilling to reward such an engagement. Moreover, participants might be motivated purely by the belief to do the right thing and thus intrinsically believe in what they do. Finally, the data indicated that there might be some kind of external pressure or a combination of external pressure and some internal reasons. The motivation may ultimately rely on individual activity and a simple argumentation that, for instance, for 78 per cent of the OMs, to engage in responsibility is the right thing to do (Evans & Sawyer, 2010, pp. 439-440) may ignore the complexity of the underlying phenomenon.

Nevertheless, the analysis of data reveals relatively clear patterns regarding areas of engagement and the underlying motivation. This can be exemplified by means of the following table:

| Code | Area of activity | Potential outcome | Explanation |
|-------------------|--|---|--|
| Economic benefits | Voluntary environmental practices, employees | Cost savings through saving energy, resources, less waste, higher motivation of employees, increased competencies of employees through continuous education or a lower fluctuation rate. | This attitude is very widespread in the sample. Most of the participants seem to be engaged in environmental and employee-related activities due to potential cost savings and higher motivation of employees, among other things. |
| Image | Employees, local community | The overall goal seems to increase the prominence, attractiveness and acceptance of the firm. This is usually related to the desire of making it easier to find new employees and reduce fluctuation. | Some participants seem to be strongly convinced by the fact that an engagement in these areas pays off. All these activities are directed to attracting new employees. There seems to be a strong economic rationale, as fluctuation and finding new employees is also related to costs. |

| | | | |
|-------------------|---|--|--|
| External pressure | Environmental certifications (for example, ISO 14001) | Administrative efforts and costs. There only seem to be marginal economic benefits of the implementation of such programmes as costs are usually not compensated by larger customers | Mainly large customers force smaller suppliers to implement certifications. There seems to be a great reluctance towards such systems, with the exception of a few participants (for example, that have a focus on green products or show strong personal awareness). Firms do not experience direct external pressure in other areas. |
|-------------------|---|--|--|

Table 22: Patterns in the motivation for sustainability
(Source: own illustration)

With regard to customers, a number of participants state that customers do not reward or trigger an engagement in sustainability issues and that large customers do not tend to do so. This is in contrast to parts of the literature which argue that SMEs, being part of a supply chain of large customers, may be forced to act in a more environmentally friendly manner (Ayuso et al., 2013, p. 504; Ciliberti et al., 2010, p. 303), while Jenkins (2006, p. 249) finds that there tends to be only weak pressure, even if only in environmental aspects rather than social ones. This is reflected in the following quote:

‘Customers do not reward it, to put it like that. I do not believe that there will be a change. It is portrayed like that. For example, the large organised industry always pretends this.’ (OM of company S)

A reason for the above quote could be that most of the firms operate in a business-to-business context. It appears that SMEs which serve consumers are more likely to advance offering green products and services while most customers have only limited influence on greening internal processes (Hoogendoorn et al. 2015, p. 775). Earlier, it was discussed that price is the most important point for large customers. Consequently, from the product side, there hardly seem to be economic benefits of a

sustainability engagement, as also supported by Revell & Blackburn (2007, p. 412). Generally, research on a business case for SMEs tends to be inconclusive (Aragón-Correa et al., 2008, p. 98; Iturrioz et al., 2010, pp. 242-243; Torugsa et al., 2013, p. 396), except for firms that choose a green business model and focus on products which deliver environmental improvements (Triguero, Moreno-Mondéjar & Davia, 2014, no page). But this tends to be the minority of firms in the sample. Hoogendoorn et al. (2015, p. 775) suggest that less than a third of SMEs are engaged in green business models, but this may have to be seen as a kind of upper limit at least taking into account the experiences in this fieldwork. There also seems to be a trend that more and more firms are somehow engaged in social responsibility activities—for example, donating to a local sports club. Regarding potential economic benefits, one participant notes:

‘I believe that there was a phase when it was like that. In the meantime, I believe that, depending on how we see it, it becomes an obligatory exercise, and when it becomes an obligatory exercise for everybody, then you do not have a competitive advantage any more. It is only a question of how well you do it.’ (MD of company T)

This indicates at least two interesting aspects. First, there tends to be the perception that almost all SMEs are engaged in some kind of sustainability and responsibility activities, such as donating in the local community context, offering benefits to employees and so on. Even the literature supports that 98.3 per cent of German industrial SMEs are engaged in at least one CSR activity (Hoffmann & Maaß, 2009, p. 26). Second, the literature also refers to potential economic benefits (Hammann et al., 2009, p. 48; Maaß, 2009, p. 159; Tänzler, 2014, pp. 131-132). So, there is the question of whether general economic benefits can be expected, especially for firms that show minimal engagement, if almost all firms are somehow engaged. The data related to motivational aspects very clearly indicate that there is predominantly an economic rationale for such engagement. This has been supported recently by the international literature (Bevan & Yung, 2015, p. 305; Lee et al., 2015, no page) and some are convinced that this can help achieve some economic advantage, at least regarding employees, as is indicated elsewhere as well (Maaß, 2009, pp. 159-160). One participant states the following:

‘From the employer branding point of view it does makes sense for all and those who do not do it will be surprised—or are already surprised—, sorry (laughs) that they will not get applications for apprentices any more. It starts with this, the apprenticeship story. So I know from some companies in the region that they have open positions and do not find applicants. Well, you have to do something.’ (OM of company N)

This contradicts the results of Granerud (2011, p. 119) who could not confirm a motivation to engage in employee-related activities driven by reputational considerations but rather found internal reasons. A reason could be that demographic change and skills shortage is a more prominent challenge for German SMEs and the engagement is driven by the hope of attracting employees. The above quote does not imply some kind of short-term profit maximisation but seems to be another element of the long-term orientation of the firms in the sample.

Nevertheless, when directly asked about the motivation of their engagement, many participants indicated an intrinsic, voluntary, ideological motivation that is rooted in the sense of being responsible for others. As indicated earlier, there is very limited pressure to deal with responsibility issues (except the demand of large customers to implement formal sustainability certifications) and a few participants state that preventive considerations drive their engagement. This finding is in line with the reasoning of Lynch-Wood et al. (2009, p. 61), who argue that there is hardly any external pressure, as this would require higher visibility which is not given for many SMEs. In a similar vein, Lynch-Wood & Williamson (2014, p. 474) indicate that there is only very limited pressure from customers to engage in sustainability.

Summing up, the overall line of argumentation implies that participants engage in sustainability issues for economic reasons—direct ones (for example, cost savings) and indirect ones (for example, higher motivation of employees). This does not mean that ideological and ethical reasons do not play a role; rather, the contrary seems true as the following section will show (see section 5.2.9), but we have to acknowledge that at least in this sample, participants are led by economic considerations. This is to some extent in line with the results of Manning (2015, pp. 190-194), who overall concludes that the creation of social capital by OM can be explained by

rational economic considerations, but also considerably by non-rational motivations that include ethical and moral issues. Surprisingly, a combination of external pressure and internal reasons was explicitly mentioned only to a lower extent. A reason for this is that firms usually do not experience direct external pressure. So, there seem to be internal considerations to engage in responsibility issues (see also Santos, 2011, p. 494). Contrary to Worthington, Ram & Jones (2006, p. 103), and Dincer & Dincer (2013, p. 183), religious beliefs play a very limited role in the sample used in this research.

5.2.9 Business Practices and Principles

This theme has been developed inductively from the data and organises codes which indicate that there is SME-specific business behaviour informed by a specific set of values. The data indicate that there is something like a ‘Mittelstand’ way of doing business. The following sections conceptualise this mentality or approach.

5.2.9.1 *‘Mittelstand’ Approach of Doing Business with each other*

An aspect that became obvious at the very beginning of the fieldwork, but was not earlier recognised in the literature, indicates that many participants prefer working with other SMEs. This issue was then included in subsequent interviews to develop a better understanding on this phenomenon. Participants argued that there is a much more personal working atmosphere, a more partner-like collaboration and problems can also be resolved by a single telephone call instead of protracted formal procedures. Lower price pressure also seems to contribute to this different kind of collaboration. This different way of doing business is described by one participant in the following way:

‘Yes and this also is the advantage, if you work with a ‘Mittelstand’ firm. You receive much more understanding; see things on the same eye level. However, I would not say that you could allow everything. This is not possible but there is fairness and do you know what, a word counts, a handshake also counts. You probably know the famous expression of the honourable businessman. This is still true at ‘Mittelstand’ firms, though barely at large corporations.’ (OM of company C)

This quote may partly result from a romantic and socially constructed worldview of the participant (Crotty, 1998, pp. 43-44) and may overdraw the differences in the collaboration between SMEs and large corporations; however, the basic idea is widely apparent in the data. The nature and mindset of SMEs seem to result in a relationship based on fairness and trust, as informal agreements (a handshake) seem to have similar validity than more formal ones like a written contract. In a similar vein, the OM of company AB reports on the experiences of doing business with a large 'Mittelstand' firm having about 2,000 employees and indicates a very respectful, polite and professional collaboration, which seems totally different from their relationship with some large corporations. The participant vividly reports on this trustful relationship:

'This shows that a relationship was built based on trust and we would like to maintain this. Then you do not say, oh there are no prices on the order form and now you take advantage of this. We do not do that. We remain fair and it also was the case that there was a price on the order, for parts we had produced earlier, which was twice as high. Then we said that this is not correct and so on. Do you know we also have to do such things; you do not simply take advantage of this. You remain fair. And also the other way round. If you say, oh, we miscalculated a bit could we adjust this?' (OM of company AB)

This behaviour is in stark contrast to the extreme price pressure many SMEs in the sample experience from large corporations. Correcting false prices and refraining from taking advantage of this in order to build social capital and maintain a long-term relationship indicates that this participant acts according to some kind of special ethos. One may assume that such behaviour results in perceived moral reciprocal obligations that may ensure the long-term existence of the business relationship (Fuller & Tian, 2006, p. 295; Portes, 1998, p. 7). In a similar vein, Spence et al. (2003, pp. 21-22), and Werner & Spence (2004, p. 21) describe how networks with other firms create social capital.

However, other participants report that the collaboration between SMEs is also characterised by some kind of pressure as those smaller customers more urgently require the ordered parts, as a consequence of a lack of planning but also because things are

expected to happen more quickly at SMEs. Also, in such cases, participants report a partner-like and very pleasant cooperation. There are only very few indications in data that speak against this way of cooperation—for instance, as indicated by one participant (OM of company S) that large ‘Mittelstand’ firms seem to adapt the purchasing behaviour of large corporations—but at the same time also speak of maintaining eye level with larger owner-managed firms. There also is a participant in this data set who tends to apply such a price-focused logic (OM of company E).

The discussion above implies that there is something called a ‘Mittelstand’ ethos of doing business, rooted in the logic of the honourable businessman. This is also supported by the discussion of the personal characteristics and views of participants earlier (see section 5.2.3.2). Taking into account sustainability aspects, one may conclude that an ‘inter-SME’ relationship may make a consideration of societal or environmental aspects more likely, as there does not tend to be such an extreme price pressure. Such relationships may also be more compatible with the informal and more personal procedures of SMEs. Hence, it is not surprising that a number of these firms prefer to do business with their peers. Nevertheless, firms also have to adapt to the procedures required by large corporations in order to increase their potential customers. From the view of the researcher, learning more about the characteristics of this ‘inter-SME’ business relationship would be highly beneficial, especially regarding whether there really is such a phenomenon, what its characteristics are and in which areas it does occur?

The discussion above indicates that this ethos involves values or beliefs such as fairness and trust. With regard to this, the data imply that participants seem driven by a set of values or principles, which will be discussed in the following section.

5.2.9.2 *Moral and Ethical Aspects*

Discussions during interviews reveal information on the moral values and business principles to which participants attach importance. Although things like values tend to be very individual issues, the data indicate a number of interesting aspects. These aspects could be used to develop a conceptualisation that may describe a model of the good and honourable SME (owner)-manager. Thus, several codes could be identified to conceptualise this moral world, as indicated by the following figure:

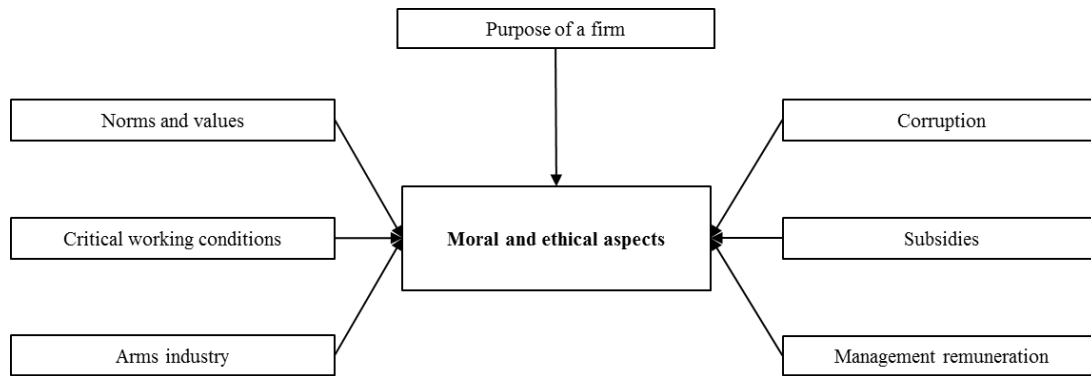


Figure 14: Conceptualising the moral world of participants

(Source: own illustration)

The conceptualisation consists of aspects that more generally describe the values of participants (for example, ‘norms and values’), but also a number of areas that may express the ethical attitudes of participants (for example, ‘critical working conditions’, ‘corruption’).

5.2.9.2.1 *Norms and Values*

As indicated above, issues of fairness and trust play an important role for many participants. This can be exemplified by the following two quotes:

‘We must be able to look into the mirror every morning and say we are fine. Do we communicate this? Large corporations communicate such things and present it. No, we do not have time for this.’ (OM of company B)

Shortly after, the participant explained in detail what this means:

‘I would call this healthy social behaviour. Yes, we do follow that; you cannot disguise yourself. For me this means you have to remain authentic, be it at home, in other areas or here at the firm. There is no difference for me.’ (OM of company B)

First, it has to be acknowledged that firms in the sample only communicate their engagement to a smaller extent, as is also indicated by this participant. More important seems to be for the participant to be at peace with the world and himself. For

him, this also involves being authentic, which probably means applying the same values and principles to the private and professional spheres. This view would be in line with Carr (2003, p. 15), who argues that ‘there is no separation between the world of work and the rest of social life’. However, this finding is in contrast with the findings of Boiral et al. (2014, p. 376), who indicate a decoupling of the responsibility of managers and their values in the environmental field. However, they could not identify this decoupling for conscious and proactive participants. The present participant can certainly not be characterised as a leader in sustainability issues and tends to have clear business focus; nevertheless, values do play a role for him in the professional sphere. Moreover, this participant and many others frequently use terms such as fairness, trust, reliability, honesty, equity, respect, being open, not forcing people to do things, not doing harm, and obeying legal and moral norms. The statements made by the participants in this fieldwork seem to be supported by the findings of Koiranen (2002, p. 183), who found high relevance of similar values in traditional family-owned firms.

As recently indicated by Tänzler (2014, pp. 129-131), there is no great difference between family-managed firms or ‘Mittelstand’ firms led by external managers, as their behaviour is largely similar. A similar observation could be made here, as even external managers showed empathy, closeness and loyalty to their firms and seem to behave similarly to an OM. One may conclude that these values play an important role in many ‘Mittelstand’ firms. However, participants also expect to be treated in a similar vein and this may explain why there are certain reservations against the business behaviour of large corporations. Part of the mentality in SMEs can best be summarised as follows (OM of company AD): ‘Well, we are quick and honest, and we do what we say.’ However, acting in a responsible and value-driven way does include a societal perspective as the following quote suggests:

‘This is a societal challenge. Society is separated into the rich and the poor, increasingly so in Germany. We have to be careful that people belonging to the rich class do not lose their moral concepts but instead that we try that this collective, and also the entrepreneurs and MDs can only be entrepreneurs and MDs, if there are employees who smirch their hands and control the machines. We must keep this together.’ (MD of company Y)

This quote indicates at least two things. First, it supports the overall importance of employees in SMEs and their management, but puts this in a greater context which demands protecting the cohesion of society in general. This can also be explained by SMEs tending to be closer to the society or (local) community and, consequently, being in a more intense relationship. Thus, one may argue that in SMEs there is greater interest that the society, in general, is working compared to large corporations, which are more globally oriented.

The following section discusses areas which provide a rich view on application of the values indicated above.

5.2.9.2.2 Areas Exemplifying the Moral View of Participants

Given that there is a focus on German or European suppliers, critical working conditions such as at large Asian suppliers in the electronic industry or child labour do not seem overly important. However, if such conditions were recognised by participating firms, many of them state that they would insist on stopping such practices or cancelling the business relationship. However, they also indicate that transparency regarding this is an extremely difficult issue. With regard to this, the quote of a participant is interesting:

‘We perhaps have one or two cases in China but naturally are not that far that we would know whether this is related to child labour. However, this is also a complex theme. You could also say that you assume the work of the child to be somewhat doable or humane then because it feeds the family. This is a very complex assessment process, whether I say I do not want to buy in China. When a firm offers a T-shirt for five euros, it makes me sick. On the other hand, hopefully the woman in this situation has worked under humane conditions and does not get killed by dangerous toxic substances; then at least the family gets a bit of money.’
(OM of company K)

The most interesting aspect of this quote is the reflection of the participant on whether a critical issue like child labour, towards which probably everyone has an immediate negative response, may also have a side that is positive for those who are in this situation. If, for instance, the business relationship were to be terminated, the

child may lose the job and the family would be in an even worse situation. This again illustrates the complexity of questions related to sustainability and responsibility issues, and there is no simple right or wrong answer.

The moral attitudes of participants appear also when they refer to business practices that could be evaluated negatively. Many firms in the sample, for instance, refuse to work for the arms industry even in difficult economic situations, although they could earn considerable profits by doing so. In a similar vein, doing business in some countries is seen as problematic. Several times, participants admit to having considerable problems in countries like Russia or Ukraine, as bribes, slash funds or using black money are common there. This can be illustrated by the following quote:

‘We do not bribe on principal. If we cannot build a viable business in Russia, then we refrain from it and return from Russia. This has been coordinated with the family. The family says that this is a clear priority before profit.’ (MD of company H)

However, there are also indications in the data that a few participants do not consider it realistic to do business in countries such as Russia or even the Middle East without offering certain ‘attentions’ (for example, presents) to potential customers, and if this is not done then certainly competitors will do so. So, there is a grey area that is justifiable from a moral standpoint. The discussion shows that participants are more aware of such issues now than earlier. This point is also supported by a longitudinal study by Longenecker et al. (2006, p. 178) which indicates, at least for the US context, that ethical issues in decisions have become more important in recent times. In this regard, it has to be noted that bribes could be deducted from the taxable income in Germany as ‘Nützliche Aufwendung’ (useful money) but this was legally prohibited in the year 1999 (Frank & Mayer, 2012, p. 287). This change in the law has a major influence on the current attitudes; thus, it cannot be clearly said, whether the views above have a moral or intrinsically motivated cause or are driven by compliance. A few also expressed scepticism towards subsidies from the state and would prefer to abolish such practices, as they negatively affect the competitive situation in the markets. From the viewpoint of the researcher, not making use of collective assets (for example, tax money) that could be invested differently certain-

ly has a moral component. However, only a few participants in the sample seem to be willing to forego money they could get easily without any risk.

Another point that touches the moral values of the participants is the differing levels of remuneration of managers in large corporations and SMEs. While SMEs seem to have a remuneration deficit for ordinary employees compared to those in large corporations (Davies & Crane, 2010, p. 132; Klein & Vorbohle, 2008, p. 52; Wagner, 1997, p. 411), there are strong indications in the data that this is perceived by participants also to be true at the managerial and top management levels. Participants complain that the high compensation levels of top managers at large corporations are no longer justifiable and that the gap between normal employees and top managers has become too wide in recent years. However, the German CEO compensation of public companies tends to be low compared, for example, to the USA (Bruce, Buck & Main, 2005, p. 1503) and there is pressure to offer internationally competitive compensation schemes. While this topic has a moral component, it also touches on the competitive situation of SMEs. After having described the problem of the compensation deficits at SMEs, a participant goes on to argue:

‘There is something wrong, even taking into account the responsibilities of these people. This cannot be true. But we have to deal with it. This is difficult. Occasionally, one loses someone because the offers are tempting. Good people, though I am not quite sure, are contacted twice a month by headhunters.’ (Former OM of company Q)

It is obvious that this represents a major threat to SMEs. As indicated earlier, SMEs face severe difficulties in attracting new employees because of competition from large corporations; large corporations also try to attract core employees of SMEs. From the perspective of this participant, the only solution to this is developing a company culture that reduces the probability that such people might leave but encouraging them to be satisfied with lower compensation.

A final point that will be addressed here is a more philosophical question: What is the objective of a firm? The discussion so far clearly indicates a strong focus on economic aspects and the participants clearly state that their organisations are not

driven by a non-profit postulate and the literature supports that the responsibility engagement is frequently underpinned by an economic calculus (Fraj-Andrés et al., 2012, p. 276; Santos, 2011, p. 494; Sen & Cowley, 2013, p. 421). The OM of company C sees the objectives as follows: ‘I work for the family and not for shareholder value, one is working for the family, but you are also working for the existence of the employees.’ The participant relates shareholder value with short-term profit maximisation for some external investors, while the focus in this case is clearly on the family and employees. Thus, this quote seems to emphasise the importance of the family of the OM and may support the attempt of Spence (2014, p. 8) to include this in the stakeholder conception. Two further quotes usefully exemplify the role of companies within the context of society:

| | |
|--|--|
| ‘The entrepreneur takes on responsibility. He pays taxes as required. He employs people. He gives them the possibility to live, to spend money in the economy. This is responsibility. Many speak about the society and responsibility but cannot clearly define it. I am not of the opinion that the entrepreneur exists to hold any social-political sermons and offer suggestions for improvement. Others can do this.’ (OM of company E) | ‘Principally, and this is my vision, companies should be like lighthouses of trustworthiness, of identification. If there are many lighthouses, then more people identify with the whole economic system. This is the logical consequence. Each company is an ambassador for the market economic system.’ (Former OM of company Q) |
|--|--|

Table 23: Purpose of companies
(Source: own illustration)

Both quotes represent rather extreme positions. The first one does not see any specific objectives of the firm that go beyond properly doing business, certainly not in a kind of an amoral way, as values like fairness also play a role for this participant. But the second quote highlights that companies should adopt a role in society that goes beyond traditional business procedures. This quote says that firms should act so that society can identify with them. To fulfil this function, such firms have to act according to the values of the greater society and also contribute to the well-being of the society or community. It can be critically discussed whether sustainability can be achieved in a market economic system and if a modification or change of the complete system is a necessary prerequisite for sustainability, but this is not in the scope

of this research. Nevertheless, it becomes evident that companies which act in an amoral way do not only risk diminishing the reputation of the firm but also harm the whole economic (and societal) system.

Whether or not we can argue that SMEs act in a sustainability-oriented way, the fieldwork indicates a special ethos or culture of doing business underpinned by certain values, which may lead to the conclusion that SMEs tend to act as members of the community or society. However, this framework has been created by the individual attitudes of participants and may represent a social construction of the researcher. Detailed analysis of this approach needs further empirical examination but is a major contribution of this research.

5.2.9.3 Reflection on Practices

Interviews also provide indications that participants critically reflect on their engagement in sustainability and responsibility issues. With regard to this, two different aspects were identified in data. First, a number of participant statements seem to evaluate the engagement (for example, stating that one is not sufficiently aware of a certain aspect or saying that the firm does not donate much). This was coded ‘evaluating own engagement’. A second issue that may indicate the intensity or quality of the engagement is whether sustainability issues can also be traced in the supply chain. Aspects regarding this were coded ‘transparency of suppliers’.

The basic finding of the latter aspect is that participants find it hard to evaluate sustainability and responsibility issues throughout the supply chain. They neither have the power to do so nor the resources to control every group of parts or raw materials. This finding is supported widely in the literature (Ayuso et al., 2013, p. 504; Pedersen, 2009, p. 113). So, there probably is very little transparency for SMEs. Many state that they only source from European or German companies and that there tends to be a lower risk of fundamental violations of ethical or moral norms. Moreover, participants frequently refer to long-term and trustful business relationships with suppliers. There is the overall tendency that participating firms only rarely consider sustainability issues in the supply chain. Given that there is a strong focus on Germany and other European countries, the implementation of standardised systems or certifications to reduce this information asymmetry (Ciliberti et al., 2009,

p. 125) does not seem to be absolutely necessary in light of the long-term partnerships with supplier firms.

Regarding the first aspect, a number of firms admit that they are not engaged intensively but only a few report not being engaged at all. Some argue that they do not have direct relationships with consumers and, consequently, that engaging in the local community and communicating about this has no relevance for them. A number of them state that they principally wish to do more but are forced to reject many requests. Here, participants provide at least two lines of argumentation. (i) Some argue that time is the most important limitation factor and not necessarily financial resources. Management and employees seem to be overly caught in managing and organising the further development and growth of the firm. Usually, such firms are in a comfortable economic situation but there is relatively little time to engage in aspects that do not directly relate to current economic challenges. (ii) Others also report that financial resources mostly prevent more intensive engagement. For this reason, such firms also tend to carry out non-monetary activities, such as mailing actions for social associations. Similar to the findings of Heblich & Gold (2010, p. 350), it was partly observed that participants are unaware of what activities can be considered as engagement in sustainability and responsibility issues; for instance, saving energy and resources were not seen as an issue related to sustainability but rather as a business issue related to lower costs.

It was felt that many participants provided clear and honest accounts of their view on the topic under research by providing critical insights on the subject. In the course of a number of interviews, participants reported on their practices and after the discussion sometimes confessed to not being aware of the issue and planning to do more at a later stage. When talking about the situation of employees one participant notes: ‘...yet we are not aware enough of such things and perhaps also lack enough time and sufficient knowledge. But we are competing with other known employers and have to ensure that we get the human capital needed’ (MD of company A). As a result of this research, it is possible that one or the other participant was additionally sensitised about the significance of sustainability and responsibility issues. Some participants also provide accounts about whether they are able to maintain their current level of engagement. This question is naturally linked to the eco-

conomic situation of the firm and firms indicated that they would inevitably have to reduce their engagement in case of an economic crisis to ensure survival of the firm.

There are indications that sometimes there is no clear right or wrong answer to the challenges participants are facing. Regarding the environmental impact, a participant stated, ‘...you always do 50 per cent right and 50 per cent wrong’ (OM of company O). Others refer to critical countries, like India, and also state that one never knows what is right. Here, the problem is that the potential challenges in sustainability and responsibility are so multifaceted and complex that SME OMs may not be able to address all of them appropriately. There are only very rare indications in the data that firms employ consultants or use other networks in this area. The firms that do this are usually those that have already developed a certain state of knowledge and use a consultant as a kind of sparring partner to evaluate new themes (for example, reviewing the draft of an intended sustainability report).

In a similar vein, a few firms in the sample have successfully applied for awards that evaluate the sustainability and responsibility of firms. While such awards can be used to enhance the image of such firms, discussions with participants reveal that the most important point in applying for such awards is that all departments and all members of staff have to deal with and reflect on current engagement in sustainability. This involves collecting and evaluating the current state in order to address the requirements for such awards. From the perspective of two participants, this assessment is more important than the final outcome of whether they win the award or not.

The following quote can be used to summarise some of the thoughts above and indicates how many participants may evaluate their current engagement in sustainability and responsibility issues:

‘Which large programmes or budgets does one have? With regard to this I have to say that actually we do not have much. We would like to do that and we will do that. But we do not have programmes; we do not have a strategic person working in this area. Thus, when I look at this rigorously, we are very, very underdeveloped. It is an important theme but one also is perhaps not thinking enough about it.’ (OM of company AD)

This quote supports the view that one cannot easily compare the activities of SMEs and large corporations, as the nature of engagement is fundamentally different. Thus, the findings of this research clearly support the part of the literature that highlights the importance to develop a specific SME research agenda (Spence, 2007, pp. 542-549). The quote above also addresses the nature of the management approach, which will be discussed in the following section.

5.2.10 Integrative Theme: Management Approach

This section draws together findings related to the management approach of SMEs in sustainability and responsibility issues. The theme consists of the sub-themes ‘general management approach’, ‘management approach employees’, ‘management approach ecological dimension’ and ‘selecting societal activities’. These aspects have been considered as an integrative theme (King, 2012, p. 432) that may allow more interrelated analysis and comparison rather than discussing management issues separately. For instance, SMEs are commonly associated with a more informal and ad hoc management approach (Bevan & Yung, 2015, p. 302, Spence, 1999, p. 165). This inevitably influences how sustainability issues are approached. However, findings also indicate that sample firms do not use integrated sustainability management instruments but rather follow an isolated view. The following section presents select findings regarding the management approach of SMEs more generally.

5.2.10.1 *General Management Approach of SMEs*

The aim of this sub-theme is to describe the management approach of sample firms in a more general sense. It is not in the scope of this section to analyse the implementation of specific management instruments, planning systems and so on. Here, it is important to develop an understanding of the basic principles that seem to be characteristic for the firms in the sample. With regard to this, two aspects have been identified. First, there is information in the data regarding the ‘formalisation’ of management activities. This issue is also widely reflected in the literature. Second, and perhaps more interesting, is that many participating firms demand from and offer their employees a considerable space for decision-making. Aspects related to this have been coded ‘employee empowerment’.

5.2.10.1.1 Formalisation of Management Activities

Regarding formalisation there is an overall impression in the literature that SMEs are characterised by an informal and ad hoc management style while large corporations have rigid structures, formal procedures and bureaucracy (Becker & Ulrich, 2011, p. 66; Fassin, 2008, 370; Krämer, 2003, p. 20; Spence, 1999, p. 165). This tendency was also observed during the fieldwork in this research. Surprisingly, however, there is a number of firms in the sample which seem to attach high importance to well-organised structures and clearly defined procedures. The following quote exemplifies this attitude:

‘My colleague is the pedant regarding the organisation. We always say we must find a balance between the organisational effort required but not overdo it. This is difficult. I personally think we do overdo it sometimes. But our staff has learned that if we recognise that at some point we are not well-organised, we immediately form a team and it will be solved. Then a certification is superimposing a system, yes? But my opinion is that the organisation must run smoothly.’ (OM of company N)

This participant explains the importance of having well-organised procedures, although for the participant there sometimes seems to be too much organisation. Nevertheless, the priority is to find the right balance of pragmatism, flexibility and strictly defined protocols. This firm has a number of certifications, even though many larger firms in the sample state that the organisational effort for such certifications would be too high. As the firm has only about 80 employees this cannot necessarily be expected. Thinking in more formal and rigid structures supports the implementation of certifications, which inevitably involve bureaucracy and require a more formal and strict approach. So, the literature indicates that a bureaucratic approach may be more suitable for large-scale units that face stable conditions (Goffee & Scase, 1995, p. 95). Moreover, Goffee & Scase (1995, p. 95) go on to argue, ‘Where market and environmental circumstances are more volatile and work processes less certain, less specialised, more adaptable forms of organisation may be more appropriate.’ This could serve as a rationalisation why SMEs tend to have a negative attitude towards bureaucracy (Fassin, 2008, p. 365).

The data indicate that external managers such as MDs (for example, the MDs of companies F and H), OM that have not built the firm from scratch (for example, OM of company N) or younger owner-managers who have recently founded the firm (OM of company D) tend to apply a slightly more formal approach—for example, making more intensive use of key performance indicators and internal reporting instruments—while older participants who have been OMs for decades lead the firm more intuitively and somewhat more informally (OM of company C), as they seem to have a well-developed instinct and experience. However, one participant notes: ‘In ‘Mittelstand’ firms many things are naturally done more pragmatically. But this is also related to risks...’ (MD of company I). The participant then names a ‘highlander mentality’ of the owner, which implies an egocentric attitude and little transparency in financial ratios (for example, liquidity) as a result of insufficient internal reporting instruments. Hence, it is especially important for SMEs to find a balance between formalisation and structure, and pragmatism and flexibility.

Moreover, the literature indicates that firms which have gone through a phase of growth may use a mix of informal and formal approaches as a kind of evolutionary process (Lamberti & Noci, 2012, pp. 412-413; Preuss & Perschke, 2010, p. 546). The data indicate that this may take place at completely different stages—for example, company A with about 1,000 employees and company D with about 150 employees report on this transition process. However, several participants warn that too much formalisation and bureaucracy reduce flexibility, make firms cumbersome and lead to high administrative costs. For instance, a participant draws attention to the following points:

‘Entrepreneurship is frequently shaped by leaving this common frame to develop ideas. It is not the case that I want us to be unorganised. But sometimes you can exaggerate it and if you need more time to validate yourself rather than producing the good, then, I think, it becomes critical.’ (OM of company S)

Exactly predetermined procedures and relying on formalities may reduce creativity and limit the freedom to find alternative solutions. This may lead to a focus on complying with standard procedures rather than striving to be better. Participants also refer to the individuality of each situation, which can hardly be completely covered

by exact rules in advance. There seems to be a challenge for SMEs to find the right balance between formality and informality. Hence, it is not surprising that a certain degree of informality and flexibility is required from employees. The employees in such organisations should have a certain degree of independence and autonomy in order to make their own decisions. Findings related to this have been coded ‘employee empowerment’ and will be discussed in the following.

5.2.10.1.2 Autonomy and Decision-making Scope of Employees

A finding that was not expected in that intensity prior to the fieldwork is that employees in the sample firms bear very high responsibility in the firm, as indicated by the participants. The nature of SMEs also requires employees to cover a broader working area and scope than employees in large corporations (Pichler et al., 2000, p. 26). This may be in line with a greater autonomy to make decisions. The participant interviews lead to the overall impression that this topic is highly pronounced in almost all of the participating firms. Parts of the literature also highlight a policy of participation in SMEs that positively contributes to a good working culture (Fernández & Camacho, 2015, no page). Some participants state that earlier there was a kind of patriarchal management style but such approaches nowadays are no longer practical. Many participants demand that their employees work autonomously and preferably not consult their superiors in order to reinsure themselves. This is reflected in the following quote:

‘Here, it is like that, I expect employees to make decisions independently and that we do not have to discuss everything in teams. This is sometimes good but not always, though you also waste a lot of time in meetings.’ (OM of company W)

Demanding that employees develop the ability to work independently also supports the flexibility of SMEs. At the same time, there tends to be great trust in the abilities of employees so as to entrust them with responsibilities. A number of participants refer to the chance of self-realisation and developing capabilities for employees in SMEs due to this greater scope of action and the potential to ‘do’ things. As identified in the data, some participants see their role as supporting the employees to do their jobs, convincing them about certain approaches and, if necessary, encouraging them to follow a certain route. This also involves encouraging them to develop their

own ideas to think independently. All in all, a number of participants attach high importance to a cooperative and supportive management style. Here, it is useful to analyse the example of one participating firm, who has given its employees a large amount of freedom and autonomy. The ideas behind this approach are reflected in the following quote:

‘If you use the potential that lies in the company in your employees, then I have to say we are a very technic-oriented company. This means the quality of the people—most of them are qualified employees—is there. It is only a question of giving your people enough freedom; then you cannot prevent being successful. This will be the case. This is, I recognised this someday and then it simply became that the structure did not work anymore. Because you cannot give someone a task or say that he has the control lever in his hand when you do not really hand it over to him. And it developed like this. Although it was a little more complicated regarding department heads because they actually had to give something off.’ (OM of company AD)

The participant describes his approach as supportive organisation and leadership-free working. The basic idea is to empower the people producing the goods. These teams cover the complete value chain and work like little start-up firms. This means that each part bears a high responsibility for functioning. The employees have received considerable continuous training and people have been identified who could organise those teams. This has resulted in overturning the organisation chart, as operational teams stand at the top of the structure and management functions below in order to support operations if necessary. This may have at least two effects. First, there is a certain autonomy and freedom for employees to decide. Second, the participant reports that this has resulted in an immense increase of motivation and confidence of employees because they usually do not have to ask a superior, as they can decide most of the operational issues on their own. The management then mostly tends to have a supportive function. As a consequence, there might also be more time for management to engage in strategic issues and develop new approaches and ideas.

The above can be seen as an extreme example of employee empowerment in the data; however, it exemplifies the overall approach of SMEs in the sample to transfer duties and responsibilities to employees. This finding partly contradicts the literature, which indicates that the management of SMEs or OM have a dominant role in the firm and manage the firm virtually on their own (Becker & Ulrich, 2011, p. 90; Schauf, 2009, p. 7; Spence, 1999, pp. 164-165). While the dominant role of the owner-(manager) is also supported by the data, it is not experienced that the managers or the OMs refuse to delegate responsibility to their employees. However, it seems that the participants know about business operations even though they were not actively engaged. In this regard, it must be stated that most of the firms in the sample have reached a certain size, which allows building up a functional organisational system. The smallest firm in the sample (company AB) indicates that the OM is more closely involved in direct operational issues.

The overall finding of this section is that most of the firms in the sample are aware of the need to find a balance between the formality and informality of a management approach. Moreover, providing employees with freedom to make decisions and demanding autonomy from them seem to be common attitudes among the participants.

5.2.10.2 Management Approach in the Area of Employees

5.2.10.2.1 Management Systems

Employees have been identified earlier as the most important theme for participants in their sustainability and responsibility engagement. The focus here is not to examine HR practices in general, such as selection, appraisal, reward and development (Cardon & Stevens, 2004, p. 298; Cassell, Nadin, Gray & Clegg, 2002, p. 676). Instead, this section applies a specific focus and addresses how the well-being of employees is managed. The data indicate that only rarely management instruments are implemented in participating firms to manage the well-being of employees. One instrument that seems common in practice is the works suggestion scheme that allows employees to hand in suggestions to improve certain aspects in the company. As this instrument addresses not only issues regarding employees but also, for instance, environmental aspects, as seen in this fieldwork, the instrument will be addressed in the following section. The data indicate that employee issues are primarily approached in an informal way. More general aspects regarding employees have

been coded ‘systematics’. Here, the following quote exemplifies the overall attitude of many participants:

‘These are ad hoc solutions and the HR department—the only system inherent to this—is trying to develop a climate where people communicate openly. If someone has a problem, then this person talks to the superior or mostly to the HR department. Thus, we follow the classic theme.’ (OM of company N)

This quote indicates that there do not seem to be special instruments to manage the employee sphere and this is the case for the vast majority of the participating companies. This point is also supported by Granerud (2011, p. 117), who indicates that providing extra benefits for employees is not planned or part of a strategy but rather an issue that is simply carried out. Only one participant admits to having implemented an adjusted version of the balanced scorecard. The participant points out that the only objective is to develop a climate of trust in which employees feel happy and which ultimately leads to trustful and open internal communication. Moreover, no patterns or strong differences could be identified when considering the different characteristics of firms.

However, the overall findings indicate that a number of participants attach high importance to implementing some kind of ‘management guidelines and values’ to develop a kind of firm culture. Elements of this firm culture have been discussed earlier in this thesis (see section 5.2.6.2). The literature indicates that a positive working culture and certain values are important for the success of the firm but these are informal issues that develop over time and cannot be prescribed (Immerschitt & Stumpf, 2014, pp. 191-192). For this reason, a number of participants state that they have implemented management guidelines or principles that describe the values which guide the culture within the company. With regard to this, a participant notes the following:

‘I tend to say what we have defined there, mainly it is common sense. To put it very simply you can say, how oneself would like to be treated, with all the details.’ (MD of company F)

The participant then goes on to name values such as valuing the individual, showing respect, and providing feedback. There are many further aspects that have been discussed throughout this report. It is important to note that the implementation is ensured by regular training activities for the management. With regard to this, the data indicate that the behaviour of the management can be seen as critical. Respecting these principles and setting a good example has been identified by a number of participants as being of significant importance. The importance of the members of the management, across all hierarchies, was also been echoed in the literature (Kriegler, 2012, p. 228). So, the crucial point is whether it is ensured that management guidelines are generally accepted and followed in the firm. In this regard, a participant states the following:

‘Guidelines are also important, logically speaking. But today, they are standard and who does not have guidelines? Naturally, the decisive thing is not whether you have them but whether you follow them. This is the difference. Frequently, there are guidelines that are not followed. They are written on paper but nobody cares about them in the end. You can violate them without consequences. This is not possible here. So, whoever regularly violates the guidelines gets the sack. This is clear. This is not acceptable. But it also is not enough that everyone has read the guidelines and understood them. No, it not. This means you have to do cultural work, as I tend to say. You really have to invest time to communicate with people, to discuss with them, cover themes with them.’ (Former OM of company Q)

This quote vividly describes the participant’s view on how management guidelines can be enforced. It indicates that sanctions are crucial. This means that the staff and especially the management who violate the defined norms must be penalised for such misbehaviour. However, even more important is to actively develop and support this firm culture through cultural work. First of all, this needs to be seen as a priority. The overall feeling during the fieldwork was that only a few firms are strongly engaged in this issue. These are those firms that attach high importance to sustainability and responsibility. Then this requires, as the participant notes ‘cultural work’, which involves actively developing and communicating the values that will

guide overall behaviour in the firm. This can, for instance, be carried out by internal reporting in staff magazines or in workshops.

Doing this kind of cultural work requires resources (such as time or money). Given the resource constraints in SMEs, there might be limited space for SMEs to do so. Nevertheless, implementing measures that aim at developing such a culture and increasing the well-being of employees and, therewith, also reducing fluctuation or attracting new employees is a major challenge that SMEs have to tackle (see also Immerschitt & Stumpf, 2014, p. 189). Referring again to the earlier example (company AD), where employees have relatively great autonomy, it was found that a process of doing cultural work has been initiated by the employees themselves in defining values for cooperation, such as honesty, respect, letting others speak and so on. This implies that the autonomy then develops a momentum which initiates improvements in other areas not directly related to the economic sphere, such as value discussions. This autonomy may support the employees to show stronger personal initiative and the motivation to contribute to the organisation.

The following section moves on to discuss selected components of the management approach regarding employees identified in the data.

5.2.10.2.2 Elements of the Management Approach

An aspect that can be seen as part of the management approach towards employees is giving regular feedback. Aspects with regard to this have been coded ‘feedback culture’. Providing regular feedback is closely related to valuing employees. For instance, Fisher et al. (2009, p. 76) point out that ‘...providing staff with immediate feedback—helped demonstrate to staff the value of their involvement to the process’. From the perspective of the researcher, providing feedback is an essential element of a cooperative working relationship and may be an important element of a firm’s culture. However, some participants addressed this aspect specifically and highlight the importance of regular constructive feedback—that is, positive inputs as well as suggestions about areas that require improvement for employees and members of the management team. The importance of giving feedback is highlighted by the following quote:

‘...if people understand that they make a valuable contribution and get proper feedback, then, I think, they are more motivated and satisfied. Then such themes like burnout are perhaps less likely because burnout occurs when you work hard and are diligent but there is no feedback or appreciation.’ (MD of company A)

It becomes evident here that feedback may have a major impact on the well-being of employees and is a central element of a supportive and positive firm culture. Another participant (former OM of company Q) refers to a Swabian saying, ‘not to scold is praise enough’, which tends to be a widespread attitude. He adds that creating a positive atmosphere by appreciating others tends to be an easy and effective instrument. He sees this as a fundamental requirement when having managerial responsibility.

The interviews indicate that different instruments are used (code ‘survey tools’) to provide feedback. These are:

- Regular appraisal interviews: the possibility to provide feedback to employees but also for the employee to raise negative aspects
- Appraisals by subordinates: results should be dealt with transparently and discussed within the management team
- Employee surveys: allowing anonymous feedback from employees
- Informal discussions: mutual feedback also seems to be given in a more informal way, such as during discussions, spontaneous meetings and so on

The data indicate that the participating firms and SMEs, in general, make use of these instruments in a limited intensity, as also indicated by one participant, because they involve some effort. Appraisal interviews are most widely applied. Moreover, firms in the sample rarely use key performance indicators in managing the well-being of employees. One participant explains this as follows:

‘We are currently working to extend the system of indicators in these areas. Thereby, we realised that it is very difficult to find appropriate key performance indicators.’ (MD of company F)

So, there seem to be considerable problems in identifying respective indicators that allow measuring and managing respective areas. Another participant (former OM of company Q) notes that such soft topics or value topics cannot be measured or quantified and, hence, subsumed in indicators. Some indicators used in the sample are the illness rate, measures for satisfaction, fluctuation rate, and the number of suggestions for improvement as these may indicate the commitment of employees.

The overall finding of this section is that the sample firms very rarely use structured approaches to manage employee-related issues, such as the balanced scorecard. The management approach tends to be informal and ad hoc. Activities carried out seem to be initiated by the (owner)-managers, but there is no clear indication in the data regarding how the decision on practices is finally made.

5.2.10.3 Managing the Ecological Dimension

This section aims at discussing how ecological aspects are managed and if any management instruments are implemented in the participating firms. As indicated earlier, some of the participants report having introduced a works suggestion scheme, which is an institutionalised system that allows employees to propose suggestions for improvement and which involve an evaluation and implementation process of the suggested changes. While suggestions may address all domains of the working sphere, the fieldwork indicated that it is mainly used in relation to production—for example, to identify potentials for efficiency as part of the continuous improvement processes. However, it has to be noted that, on the one hand, some firms in the sample take such a system very seriously and the top management acts as a personal driver. On the other hand, as only a minority provides information on such systems, there is little information in the data that allows clear indications of whether and how such systems are actively implemented in the majority of firms in the sample.

5.2.10.3.1 Implementation of a Management System

Further information on the implementation of an environmental management system has been coded ‘form of the management system’. A study by Kahlenborn & Freier (2006, p. 12) finds that in Germany only 0.5 per cent of the firms in the category of 20 to 500 employees have implemented an environmental management system and this amounts to one per cent for firms in the category of 50 to 500 employees. Other

studies come to slightly higher implementation rates, such as the study by Meyer et al. (2009, p. 132), which concludes that only about two per cent of firms make use of such systems (see also Meyer, 2014, p. 6). So, there seems to be a very low rate of implementation of environmental management systems. It is necessary to differentiate several levels of engagement. Regarding the sample, it can be noted that some participating firms have implemented relevant management systems or certifications whereas others have not. Those firms that have not implemented a certification are either not aware of sustainability or environmental certifications, or do not see a benefit from implementation. More often, there are only limited resources that restrict the implementation of certifications but usually firms aim at such an implementation. For instance, as it was asked if it is planned to strive for an environmental certification, one participant answered:

‘Yes, in any case. We have to do this. Especially because then we can swim with the large organisations. We have to do it. Regarding certifications we have to catch up on quite a lot, because we really cannot swim with them at all.’ (Executive of company L)

The quote exemplifies that there is considerable pressure from larger customers which demand such sustainability certifications. This is a huge challenge for many SMEs. In a similar vein, Granly & Welo (2014, p. 199) identify customers as a key driver for an implementation of such systems, while Heras & Arana (2010, p. 731) find indications that improving the environmental performance of the firm is the dominant driver, followed by customer demands for ISO 14001 certifications. However, there seem to be sector differences, as was experienced in the fieldwork that such certifications are especially demanded in the automotive sector. But this could be a contextual issue, as the automotive sector is dominant in Baden-Württemberg. Interchangeability of products may also play a role. For instance, firms whose products cannot easily be substituted do not seem to experience such a strong pressure to implement environmental management systems (for example, company AD). In general, firm size does play a role. However, rather small firms have also implemented a number of different certifications (for example, companies N and R).

Overall, the data analysis indicates that a number of participating firms have implemented some kind of environmental or energy certification (for example, ISO 14001, ISO 50001). One firm implemented ISO 14001 and EMAS (company R). Surprisingly, ISO 26000 (see, for example, Hahn, 2013) was not addressed at all during the fieldwork, although some SMEs seem to have implemented this standard in Germany as indicated by a survey in Saxony-Anhalt (Castrellon Gutierrez et al., 2014, p. 177). Here, there does not seem to be a clear relationship between firm characteristics and the implementation of environmental certifications. However, a strong influence is the environmental awareness and commitment of the owners or (owner)-managers.

The following table compares the views of participants on environmental and sustainability-oriented management systems:

| | Management system expresses environmental awareness | Management system implemented because of business or external considerations |
|---|---|--|
| Accepting the usefulness of sustainability-oriented management systems | ‘We are certified according to ISO 9001 and 14001. The 14001 certification naturally was a measure that should express our environmental thinking.’ (OM of company D) | ‘We are certified according to, organisationally, 9000 and 18001. 18001 is occupational safety. There is also 14001 and 50001. Since March or April we are also certified according to 50001. And this is not because we save a huge amount of energy but I want to have detailed knowledge about what I talk about out there. This is the reason. In the office next to us, there is an energy manager who learned the strings of all those themes and she now coaches our colleagues. She says: Hey, we perhaps should try this approach or that approach for our customer. She says this because she knows about those themes. Additionally, we all have a bad conscience if we have printed out a sheet of paper because she then comes and says: Could you not solve this electronical- |

| | | |
|---|--|---|
| | | ly?’ (OM of company N) |
| Rejecting common sus- tainability- oriented man- agement sys- tems | ‘Furthermore, we have developed a tool for self-certification with a consulting firm, which is based on the three pillars of sustainability. And this then basically will be, let us say, the first organised management paper, where we can look, how we actually improve with figures and with data. This certainly is useful. To a lesser extent, we want to have some kind of external proof. This often also is that you present externally all the things you do and in reality the mentality in the company has nothing to do with sustainability but you pretend to do so. However, we try, we imagine that we continuously do a lot but it is not recorded. This perhaps is not good that it is not recorded but it is better than writing things down but not doing them.’ (OM of company K) | ‘First of all, we have all the quality standards and then there is a sustainability certificate. We are currently doing that and are on the last lap. Then we do have an energy certificate where you receive a reimbursement. We do that because we need it, especially the sustainability. Let us say, we especially need it in tenders. It is supportive there but not because of conviction that it delivers a benefit. Personally, I think this is immense rubbish.’ (OM of company E) |

Table 24: Views on sustainability certifications
(Source: own illustration)

There can be identified at least four views in the data on such systems. The first quadrant indicates that participants are more or less intrinsically motivated and the implementation of an environmental or similar management system is rooted in this awareness. Such systems are considered to contribute to a more sustainable way of doing business. The second quadrant on the left side assumes an intrinsic, personal motivation, too. However, the quote has a rather critical view as the participant indicates that the motivation is not to pretend to act sustainably but rather to do it without accounting for it externally. There are a number of comments in the data which indicate that common environmental management systems allow only a very limited evaluation of a firm’s environmental performance.

The third quadrant assumes business logic although this participant has a strong personal interest in sustainability. Nevertheless, the quote highlights the usefulness of certifications in at least two areas. First of all, it refers to increased organisational awareness, as saving resources is in focus. But second and even more importantly for the participant, implementing certifications allows better understanding of these systems when doing business with customers and selling them energy-efficient products. If done properly, such certifications require skilled personnel that allow a firm to measure, for example, energy consumption or used resources, and also make suggestions to be more efficient in order to sustain the certification. There is a step-wise approach of implementing formal certifications, starting with quality and then covering various areas. It seems that the implementation of one system motivates and directs the implementation of further systems, as also supported by Perrini & Minoja (2008, pp. 58-59) or the findings of Graafland et al. (2003, pp. 53-54).

The last quadrant indicates that participants are not personally involved in sustainability issues but the firm is certified, as customers, for instance, require this. So, it is unlikely that such certifications lead to considerable improvements in sustainability. It may be assumed that the majority of firms belongs to this group. If this were true, then simply having, for instance, an environmental certification may not be an indicator or allow to a limited extent an evaluation of whether a firm acts sustainably. For instance, some firms report to having had high environmental awareness and considered sustainability aspects long before having implemented such certifications (for example, firms R and Y) and others still do so (for example, firms K and O). Hence, it is questionable whether it is useful to equate a pro-active environmental behaviour with the implementation of environmental certifications, especially as there is the tendency towards informal procedures in SMEs. Some participants, for instance, could not directly explain any routines or processes when managing environmental issues.

‘If you would like to ask how this is organised I cannot answer directly but I can only say that we always recognise things. We look at the figures and then there are conspicuous points. This time, it was energy. We said, on the one hand, it is bad regarding the energy itself and, on the other hand, we want to save money.’
(OM of company S)

Thus, the identification of potential activities is characterised by a kind of informality or ad hoc reaction rather than planned procedures or protocols. This is partly in line with the findings of McKeiver & Gadenne (2005, p. 522), who find a prevalence of informal management instruments (27.1 per cent) over formal ones (11.4 per cent) while the absolute majority is not involved in any environmental practices. The latter finding contradicts the findings in this research, as almost all sample firms seem to be involved in environmental practices at least to a certain extent.

5.2.10.3.2 Benefits and Problems Related to Management Systems

Directly linked to the question of whether environmental certifications are useful to SMEs are potential ‘benefits’ or ‘problems’ related to such systems by the participants. Hence, indications of this have been coded and will be discussed in the following. The following table provides an overview:

| Benefits | Problems |
|---|--|
| Certifications may lead to continuous improvement as re-certifications require proof of such. | Implementing and operating an environmental management system requires considerable resources (time, finances, knowhow). |
| They may help to induce the application of new technologies—such as regenerative energy—as firms are forced to report improvements. | Implementing a certification does not guarantee receiving orders from large customers. |
| May help to cover and comply with environmental laws, as there is a regular audit. Actual legal changes may otherwise hardly be followed by firms, especially smaller ones. | Large customers do not seem to reward the implementation of such systems as they expect firms to be certified but do not consider it in pricing. So, many participants can hardly see a financial benefit but rather an obligation. |
| It defines clear procedures and processes. | A certification does not account for the absolute level of environmental achievements. This means that it does not recognise the current state but the focus is rather on slight improvements. |
| Certifications may also lead to more transparency and it is reported that this transparency has induced first improvements. | There may be limited understanding and awareness among employees and a limited willingness to invest time in such projects, especially when considering operational work obligations and limited employee resources. However, the commitment of employees is crucial to self-supporting advances in this area. |

| | |
|--|---|
| The implementation may also lead to self-reinforcing tendencies, as employees become more sensitised and contribute to this development to a greater extent. | With regard to environmental issues, it can be observed that there is no unambiguous right or wrong. There are interdependencies to other areas (for example, the replacement of plastic cups by porcelain cups may make consideration of the hygiene regulation necessary) and there might be other occurrences when dealing with such issues in detail. But having to report on such issues in audits may lead to some caution. |
| A successful certification is required by many large customers and may increase the base of potential customers. | There seems to be a certain restraint in obliging to environmental improvements. |
| | Environmental issues and certifications are not seen as a priority. |
| | Participants also report on different or conflicting requirements by large customers. |

Table 25: Benefits and problems related to environmental management systems

(Source: own illustration)

In the following, some of the points above will be analysed in more depth. A considerable problem is that many large customers of SMEs demand such certifications but implementation of such a system does not seem to be rewarded (see also Knudsen 2013, p. 395). In a similar vein, one participant states the following:

‘Regarding the environment, there is customer regulation. And further claims by the customer are difficult to realise. There are a lot of requirements and in parallel prices should become cheaper. Somehow you have to find out to what extent one can accept that you are in the position to earn money at all.’ (OM of company AE)

Several participants raise this point. On the one hand, requirements from smaller suppliers are becoming stricter, such as environmental management instruments; on the other hand, this is not reflected in the pricing. Earlier participants also expressed disapproval of the behaviour of large customers. One participant argues regarding environmental certifications: ‘One should not overinterpret this. It is mandatory. No one is doing it voluntarily’ (MD of company U). Using a similar line of reasoning,

Baden et al. (2011, p. 268) speak of a kind of box ticking exercise, which implies no or only very limited internal implementation. If this were true then one could not assume that environmental certifications are a useful tool to considerably improve the environmental performance, given the reluctance with which the instruments are applied. This finding is supported by Walther & Schenkel (2011, p. 262), who argue that the pressure to implement environmental management systems is primarily unrelated to improving sustainability performance but rather sustaining business relationships. Thus, management systems would exist only on paper and are not practised accordingly. In a similar vein, Fernández & Camacho (2015, no page) indicate that the pressure of larger customers may lead to demotivation among SME suppliers. Thus, seeing large customers as positive catalysts is critical. There might be another point of concern as the following quote indicates:

‘The things a company has already achieved is totally irrelevant, as are processes. It does not matter with this certification. Only the actual state is analysed and this could be good or bad. And then it is shown how you can improve slowly or what you can adjust potentially. And this is enough. Everyone gets the certificate who deals with this theme. What we do is very much beyond this.’ (OM of company W)

This again questions the usefulness of such certifications, as they may not allow evaluation of the absolute environmental performance. The discussion of Cassells et al. (2011, p. 21) supports the view that ISO 14001 does not measure the actual environmental performance. However, participants also refer to positive aspects, as indicated in the table above. The following quote exemplifies this attitude:

‘There really are many advantages but in practice, sometimes, a bit too much bureaucracy is required. But as I said, you live according to it and care for the whole system. One person is delegated to this and dedicates a considerable amount of time here.’ (OM of company AE)

The same participant earlier argued that from a financial standpoint the firm had not yet experienced any benefits. With regard to this, the literature is divided. While Wagner & Schaltegger (2002, p. 19) could not find any significant competitive ad-

vantage or disadvantages of systematic environmental management systems, other studies provide indications on benefits—for example, cost reduction (Cassells et al., 2011, p. 27). Environmental practices in general, however, are associated with an increase in efficiency or cost advantages, especially in manufacturing SMEs (Brammer et al., 2012, p. 431; Simpson et al., 2004, p. 168). Hence, it would be interesting to know whether systematic management systems in SMEs lead to similar positive outcomes or if there is a dark side of environmental management systems in SMEs, such as compensating parts of potential efficiency gains. However, costs and benefits related to this seem to be rarely measured by firms (Watson & Emery, 2004, p. 922).

Moreover, having implemented such a certification, it requires respective care and dedication. The key point is whether firms are willing to act accordingly. Even if they do so, this might lead to another problem. Earlier it was argued that SMEs must find a reasonable balance between pragmatism and flexibility and strict protocols and procedures. Too much formalisation could limit the search for alternative solutions, especially in SMEs, as fulfilling the requirements of, for example, an environmental certification may absorb resources that would go missing in other areas, such as conducting other projects in the environmental sphere. There is the danger that a voluntary flexible search for environmental improvements will then be replaced by some kind of a compliance approach that simply involves doing what is necessary where the certification can be maintained. For instance, Frondel, Horbach & Rennings (2008, p. 158) find that environmental management systems do not stimulate more sustainable behaviour but rather are intended to avoid regulatory sanctions (see also Watson & Emery, 2004, p. 925).

The findings of Hamann et al. (2015, p. 21) indicate that state regulation, which is commonly associated with an increasing bureaucratic burden, may result in lower engagement in sustainability and responsibility issues. Here, a comparison can be drawn to a kind of regulative pressure by large customers, which may lead to a similar effect. This point is supported by Baden et al. (2011, pp. 272-273) who find that a compliance approach could hinder the aspiration to apply a more proactive approach but this seems to be a problem for firms that are already strongly engaged in sustainability and responsibility issues, as indicated by Baden et al. (2009, p. 437).

There might be a positive effect of such pressure on firms that are not yet engaged at all, but mock compliance is likely to be a tremendous problem (Baden et al., 2009, pp. 435 and 437).

However, some participants surprisingly state that achieving certifications is not seen as a major problem and this simply is a matter of organisation:

‘And this is the point. I say we have to be careful that we are not too organised because otherwise we will manage us to death. This is the way we work and I can say that I have never understood why someone is moaning around. Organise your firm properly, then you can get certified. It is a little arrogant, I know (laughs).’
(OM of company N)

While the above view is shared by another participant (OM of company AD), this participant also reminds us that there might be industries characterised by very low margins (for example, automotive industry), which hardly allow developing the firm further. So, every SME may not have the resources to invest in formal systems. Company N has only about 80 employees but managed to achieve a number of certifications. Here, size may be less important, as the talent of the OM to organise the firm and the industry in which the firm is doing business are determining factors. This contradicts the findings of Brammer et al. (2012, p. 428), who identified a clear trend that larger SMEs are more intensively engaged in environmental practices. In a similar vein, Wagner & Schaltegger (2002, p. 18) find a clear relationship between firm size and application of environmental management systems.

The findings of this research related to size are supported by Lewis et al. (2014, no page). In a similar vein, the findings of Madsen & Ulhoi (2014, no page) suggest that smaller SMEs could be more capable of achieving a reduction in the environmental impact than larger SMEs, given that such firms tend to be more flexible. Nevertheless, certainly for small SMEs, such as those having less than 50 employees, the requirements of environmental management systems might be too demanding. Hence, it is strongly questioned whether environmental certifications are appropriate management instruments for SMEs. For instance, Meyer et al. (2009, pp. 133 and 136) find that the vast majority of SMEs is involved in single environmental

practices rather than implementing a management system, but such systems seem to be slightly more intensively used in manufacturing firms. Contrary to the suggestion above, Castrellon Gutierrez et al. (2014, pp. 177-178) argue in favour of a systematic management approach in SMEs (see also Böttcher & Müller, 2014, p. 7) but also admit that until now such approaches are only rarely used by SMEs in Saxony-Anhalt.

There are many SMEs that can fulfil the requirements of standardised management systems, but we should allow a more plural view on these issues. Forcing SMEs to implement such systems may not necessarily contribute to a more sustainable way of doing business, as indicated above.

5.2.10.4 Selection of Activities in Social Sphere

A last point that will be discussed here involves the procedures reported by participants when they choose activities to engage the society or local community. As indicated earlier, there is a strong tendency of firms to support education and youth work; insofar the basic tenor is that (owner)-managers decide for projects in which they have a personal interest (see also Dincer & Dincer, 2013, p. 183). With regard to general decision criteria, the data indicate three aspects that inform the decision on social projects:

- Local relationship: This involves a regional linkage and/or a personal interest or connection of the participant or employees of the firm in supported projects
- Resource orientation: This refers to a budget-oriented way of deciding which projects are being supported, such as first come, first served
- Win-win approach: This approach expects that the firms will get something in return for their engagement—for example, when a sports club is supported, that it will contribute to a company celebration

The analysis of data clearly indicates a local focus of the engagement, which is also widely supported in literature (Heblich & Gold, 2010, p. 346; Jenkins, 2006, p. 247; Spence & Perrini, 2009, p. 26; Spence et al., 2003, p. 27). So, rather than support national or international projects, the vast majority of firms choose projects of local

groups or organisations (see also Lähdesmäki & Takala, 2012, p. 381). There are only a few references to international projects, and these are mostly inspired by the personal interest of the owner(s). This mentality can be illustrated by the following quote:

‘There certainly are many bad things taking place around the world and in Africa and elsewhere. But I believe that we do not have to look at Africa in the future. We can already see misery here in the region and personally I prefer to give support here.’ (OM of company R)

However, the points listed above cannot be seen independently from each other. There often is a combination of two criteria, mostly locality and whether resources are available. Consequently, and in the light of resource scarcity in SMEs, it is logical that resource orientation is widely applied. Surprisingly, participants did not report any figures on the budget available for such projects, but these may vary greatly among firms, and may ultimately rely on firm size and the actual economic situation. As SMEs strive for flexibility in their responsibility engagement, an ad hoc approach is preferred (Sen & Cowley, 2013, p. 421). However, it is likely that such budgets are rather small. Participants also report varying the recipients so that a greater range of stakeholders may benefit from this support. One firm notes that 80 per cent of the budget goes to long-term arranged projects and 20 per cent can be handled flexibly (MD of company H). The last point (win-win motivation) ultimately guides the engagement of many firms. For instance, supporting education can be seen in this light. Given the economic rationale by which the participants seem to be characterised, it is likely to assume that most of the participants do not engage solely out of a moral consciousness.

The nature of how decisions are made has been coded ‘implementation dynamics’. There is a strong tendency that participants decide in an unsystematic or rather emotional and intuitive way. A number of participants report that the engagement tends to be unstructured and there are no clear rules or procedures that are applied in decision-making. This approach is very much in line with the overall nature of SMEs, as indicated by the following quote:

‘But this perhaps is also a bit typical for the ‘Mittelstand’. You simply do it, right? Less conceptual and direct like it is at large corporations that really pick out something and say: We are doing this. It is not necessarily worse but how should I say there is a bit a lack of continuity.’ (OM of company AC)

This quote indicates at least two points. First, it supports the overall tendency of an informal and intuitive way of deciding what is supported and what is not. This contradicts the findings of Maaß (2006, p. 110), who could not support an intuitive way of decision-making in engaged SMEs but rather as part of the overall strategic orientation. Second, it has been identified several times during the fieldwork that supporting schools and universities may facilitate attracting new employees. Thus, this indicates a certain strategic rationale for the engagement.

Nevertheless, the overall finding of this section is that firms in the sample decide in an informal way (Lähdesmäki & Takala 2012, p. 381). Vilain (2010, p. 112) makes the point that the lack of professionalism, formality, spontaneity and so on may lead the engagement of SMEs to be perceived as more trustworthy and honest than the systematic and highly professional approach of large corporations in order to benefit most from their engagement. This point should be carefully considered as it may indicate that SMEs may not have as many resources to spend on such purposes but they seem to live the (limited) engagement they are involved in rather than pretending to be overly engaged in sustainability and responsibility.

5.3 Chapter Summary and Implications

This chapter has provided an in-depth discussion of the findings and contributions of this research and offers unique insight into the world of SME OM and MDs. Participants show some specific characteristics (desire for autonomy, flexibility, self-determination, hardworking) and in their world there is a clear difference between the ‘typical’ SME and large corporations. SMEs in the sample mostly follow a long-term perspective while large corporations are seen as short-term oriented organisations driven by capital markets to maximise profits at all costs.

Furthermore, SMEs indeed are engaged in their local communities in a variety of different activities. However, in some cases, there is a limited degree of communica-

tion with local authorities or consideration of the firms' needs. Local suppliers play a subordinate role but such local connections can be seen as an important component of a more sustainable way of doing business. Only a few firms try to convince their partners to become more sustainable (for example, reusable packaging systems) and such network externalities have been identified as important.

However, the dominant theme for the participating firms is employees. They may not be in a position to offer employees the same benefits as large corporations but offer them a more humane and respectful working culture. Here, it seems that SMEs respond to the upcoming challenges of demographic change. Surprisingly, a relatively low awareness of ecological issues and environmental activities was identified as being due to cost considerations. Given environmental threats resulting climate change, depletion of resources may urgently demand a change in business behaviour, which is not yet reflected in the mentality of most of the participating SMEs, but there are remarkable exceptions in the sample which show that an alternative approach is possible.

Overall, the engagement of the participating firms is underpinned by an economic rationale, although in a very long-term view and under consideration of certain values such as fairness, trust and authenticity. This is reflected in a number of firms refusing to work for the arms industry and preferring 'inter-SME' business relationships. One of the most interesting findings here is that the special ethos or culture which participants apply, tends to be strongly informed by moral values. Although we should not argue that SMEs act in a sustainability-oriented way, this view may lead to the assumption that many of the participating firms intend to contribute positively to society. Regarding the management approach, there is a predominance of informal approaches; however, a number of firms are sensitised to find a balance between formality and informality, which is often associated with flexibility.

6 Conclusion

This final chapter draws together the arguments and findings of this research and, hence, provides a summary of the rich contributions of this research. By the nature of the research approach, presenting and discussing the research findings involved extensive, in-depth accounts and critical comparison of the phenomena under research (Braun & Clarke, 2006, p. 83; Cunliffe, 2011, p. 663). Thus, the following sections selectively and concisely synthesise the key findings and contributions of this research.

6.1 Findings and Contributions in Relation to the Research Questions

The literature review resulted in a number of research questions that underlay the discussions in chapter 5. Hence, the aim is to reflect on the findings of this research in the context of these research questions.

6.1.1 Awareness and Motivation of (Owner)-Managers

The first research question addresses the awareness and motivation of OMs and MDs of SMEs to engage in sustainability and responsibility aspects. It was found that awareness and motivation varies considerably among participants. Overall, the fieldwork indicates a predominantly economic rationale and a strong focus on economic issues (see also Walther & Schenkel, 2010, p. 87), which also explains the sustainability and responsibility engagement. This partly contradicts the literature, which refers to some kind of moral or intrinsic motivation (for example, Evans & Sawyer, 2010, pp. 439-440; Fitjar, 2011, p. 34). However, it must be noted that awareness of participants considerably varied depending on the sphere which was addressed. So, it could be found that the awareness is higher regarding the local community and especially when looking at the employee sphere. Thus, this research strongly supports literature that sees employees in the centre of the awareness of (owner)-managers of SMEs (Hammann et al., 2009, p. 45; Hoffmann & Maaß, 2009, p. 21; Klein & Vorbohle, 2008, pp. 47-48).

While many participating firms were involved in environmental activities, environmental aspects do not seem to have a high priority. This could be because legal standards regarding the natural environment tend to be strict in Germany (Klein & Vorbohle, 2010, p. 220). Environmental aspects are largely seen by participants as a

business issue, since engagement in this area mostly involves practices that also lead to higher efficiency, lower costs and so on. That environmental considerations are driven by economic considerations is widely reflected in the literature (Bluhm & Geicke, 2008, p. 5703; Castrellon Gutierrez et al., 2014, pp. 173-174; Meyer et al., 2009, pp. 132-133; Mittelstädt et al., 2013, p. 27). This attitude could be intensified by the regional context of Baden-Württemberg; however, there was relatively little information about the contextual background, such as local or regional culture. Given, the cultural heterogeneity in Baden-Württemberg, this could indicate that differences might be too diverse and also implicit, in order to help understand the sustainability and responsibility engagement of SMEs.

While there is an economic rationale, this is underpinned by a long-term way of thinking rather than a focus on short-term profits with which large corporations are frequently associated. Surprisingly, this long-term perspective was not perceived as a prevalent and dominating theme in the literature, although it was addressed earlier (for example, Walther & Schenkel, 2010, p. 87). But from the viewpoint of the researcher, this is a crucial point which supports the assumption that SMEs act in a more sustainable and responsible way, while large publicly traded corporations are considered to see such activities mostly as public relations efforts (Murray, 2010, p. 224).

6.1.2 Understanding of Responsibility

The second research question relates to how SMEs perceive their responsibility to society. First, most of the participants are unsure about their role in society and what is expected from them or do not see any explicit responsibility besides what they do commonly. There also does not seem to be strong pressure to engage in sustainability and responsibility. Many participants argue that creating and securing jobs as well as educating young people and, therewith, contributing to the local community or region is their responsibility. A few state that paying taxes is sufficient. It was found that almost all participating firms are engaged in responsibility issues, mainly in the local community, as is also widely supported in the literature (Bluhm & Geicke, p. 5703, 2008; Heblich & Gold, 2010, p. 350).

However, employees are found to be the most important addressees of the engagement of SMEs. First and foremost, this includes creating an employee-oriented culture which recognises the more direct and personal relationship within SMEs, and participants tend to personally be involved and concerned about their employees. Additionally, employees have considerable decision-making freedom and more room to bring in their own ideas. The conceptualisation of the employee-oriented company culture (see section 5.2.6.2) represents a major contribution of this research and considerably extends discussions in the literature on this issue. Nevertheless, especially in this area, further research is urgently needed, in order to verify and refine the ideas developed here, for example, by including the views of employees in selected firms of this sample, but also beyond.

Moreover, the business approach of SMEs in the sample is underpinned by values such as fairness, respect or a down-to-earth attitude, especially in ‘inter-SME’ business relationships. An overall indication is that participating SMEs do not make use of explicit responsibility instruments; rather, many participating SMEs live according to some kind of special value-oriented ethos that is implicitly integrated in what SMEs do. Thus, there is a strong tendency towards an implicit responsibility approach and only some strongly engaged firms are more explicit and apply, for instance, for some kind of CSR or sustainability award. Moreover, data allow conceptualising this mentality quite clearly (see section 5.2.9.2). Concerning the long-term approach identified above, it is important to note that participants commonly refer to large corporations which experience considerable pressure in the capital markets. This is used as the main explanation for the short-term orientation of such firms. Additionally, large corporations are frequently perceived to act in an arrogant way.

The participants strongly distinguish between managers of large corporations and (owner)-managers of SMEs, and argue that the former are mostly interested in their personal benefit rather than the benefit of the organisation or society. Given this, many participants said that they preferred working with other SMEs, as the mentality and business behaviour tends to be similar. Surprisingly, the views of the participants indicate a difference between external managers in large corporations and SMEs. There is a tendency that the external MDs of SMEs argue in a similar way as OM do and apply a similar logic (for example, a long-term perspective), especially

after having worked at the same firm for a long period. This results out of the influence of advisory boards, through which owners can articulate their personal strategic objectives; however, it may also imply that the culture and the people in SMEs differentiate large corporations. It has been noted above that the economic sphere is most important for the participants, but this does not mean that participants see their firms only as instruments to maximise profits. Many argue that they are less profit-oriented but aim at ensuring the long-term existence and development of the firm.

Finally, some participants refuse to work with firms from the arms industry, as this cannot be justified from an ethical point of view. In a similar vein, corruption in certain areas in the world is seen as a critical issue and participants would terminate a business relationship rather than accept questionable business principles (for example, bribery).

Prior to this fieldwork, it was not expected to find that participants provide such a clear picture of how they see themselves, their firms, and the whole sector. Most significantly, they tend to describe themselves as 'the good ones', following the principles of the honourable businessman, whereas managers of large corporations are seen as irresponsible and focused on short-term profit. There is a tendency that SMEs in this sample follow, to some extent, this special ethos described above; however, the picture drawn by the participants is strongly influenced by their experiences and views, and is a social construction of their world, which may overemphasize this special attitude. Additionally, this conceptualisation has been analysed and to a certain extent also socially constructed by the researcher. So, while the literature principally supports that the culture in SMEs is special, the above might be a representation of the world of the participants. For this reason, more research on this issue may be a valuable avenue for further research.

However, the attitudes and behaviour of most SMEs can hardly be associated with the principles of sustainable development. Particularly environmental impact, which is the most severe challenge today, is only insufficiently considered by most of the participating SMEs. Here, it would be necessary to invest in activities that do not show a direct financial return and this goes beyond the classical win-win-postulate. The data indicated that many firms are in a financial position to do this. Neverthe-

less, this special mentality, especially when combined with the long-term perspective of owners, may allow the conclusion that many SMEs are an integral part of the community or society and, therewith, implicitly contribute to a more stakeholder-oriented and long-term way of doing business.

6.1.3 Managing Sustainability and Responsibility Practices

The third research question aims to analyse how social and environmental issues are managed and which practices are undertaken by firms. Here, it was found that the management approach tends to be informal and ad hoc, as supported by the literature (Mittelstädt et al., 2013, p. 31; Walther & Schenkel, 2010, p. 87; Wieland & Schmiedeknecht, 2010, p. 12), but there are firms in the sample that strive for a balance between informality and formality. Formal management systems, such as environmental certifications, are partly used by the sample firms but mostly reluctantly, as large customers require these. The question here is whether such mandatory implementation makes sense as such formal and bureaucratic systems tend to be alien to SMEs. The concern is that such systems might absorb resources that otherwise could be used more originally by SMEs, for example, in environmental projects. If such systems are implemented with a compliance mentality, then the systems are unlikely to considerably improve the sustainability of firms. With regard to a local community and employee perspective, an informal management approach prevails. The vast majority of practices are directed to the local community or region in which a firm is situated. Firms in the sample are involved in a number of practices in relation to the local community (see section 5.2.5.2.2), employees (see section 5.2.6.3) and the environment (see section 5.2.7.2).

6.1.4 Drivers of and Barriers to a Responsibility Engagement

Finally, the fourth research question addresses drivers of and barriers to a sustainability and responsibility engagement. The aim was not develop an exhaustive list of drivers and barriers (see, for example, Kusyk & Lozano, 2007) or discuss them in depth (for example, Laudal, 2011) but rather identify the most influential issues. Here, it was found that (owner)-managers are central to this question. This may not be a new insight, as the importance of the beliefs and awareness of the (owner)-managers was already identified earlier as the most important driver (for example,

Hatak et al., 2015, p. 296; Kusyk & Lozano, 2007, p. 506; Williams & Schaefer, 2013, p. 182). However, with regard to this, two important points were identified.

First, the moral and ethical awareness of the OM's is important as it is their decision whether to invest money in responsibility issues or use the money elsewhere. Some participating firms stated not having the resources to engage more in sustainability, but their financial position is good and the competitive pressure is manageable. Then personal consciousness is a decisive factor. This also indicates that the financial constraints of SMEs, which are so widely reflected in literature, might be overemphasised as a barrier to more intense responsibility engagement, at least in this fieldwork in the context of Baden-Württemberg. However, it must be noted that Baden-Württemberg is one of the most economically successful regions worldwide; hence, firms in this area might be in a better economic and financial position compared to other regions. So, this finding could not be transferred to other regions to the same extent.

Second, it is also important to refer here to the talent and managerial capabilities of owners to organise the firm in a way that creates spaces of freedom to engage in sustainability of which Enderle (2004, p. 52) has spoken. The role of managerial capabilities was recently supported, for example, by Arend (2014, p. 552), who even finds that capabilities are more important than motivation in gaining a competitive advantage through a firm's responsibility engagement. A point that could not be identified in the literature on sustainability and responsibility in this regard is the behaviour of large corporations towards SMEs and how this behaviour may impact the space of freedom mentioned above. There is extreme pressure, such as due to prices and standards, that may considerably limit the freedom and opportunities of SMEs and exacerbate their resource problem. So, while it is beyond doubt that resource limitations are a constraint in many SMEs, it depends on the creativity and engagement of the (owner)-managers whether they develop the firm in a way that reduces the resource scarcity, for example, by innovating new products, developing new markets, niche positions, alternative business models such as green products and so on. The fieldwork indicates that such developments are possible, even or especially for smaller firms, and that this should increase the space of freedom that allows engagement in more sustainable and responsible practices. In accordance with Baumann-Pauly et al. (2013, pp. 697-698), company size does not seem to be

the overall influencing factor, but there is a difference when looking at very small SMEs.

6.1.5 Contextual Factors

Given the regional focus of this research, comparable studies have been undertaken in Berlin (Bader et al., 2007), Saxony-Anhalt (Castrellon Gutierrez et al., 2014; Mittelstädt et al., 2013), Bavaria (Heblich & Gold, 2010) and Hamburg (Klein & Vorbohle, 2008, 2010). However, almost none of these studies consider the contextual influence on sustainability and responsibility engagement. With regard to Hamburg, Klein & Vorbohle (2010, p. 221) argue that the postulate of the honourable businessman is rooted in the Hanseatic tradition of doing business; however, as values that are closely related to this postulate are frequently spread in the data, this does not tend to be something specific in a certain region. With regard to environmental issues, Meyer et al. (2009, p. 137) could not find any strong regional peculiarities. Given the enormous heterogeneity of cultural and mental attitudes in different regions in Germany, as well as from a meso-perspective within Baden-Württemberg (for example, Wehling, 2004, p. 20), it seems hardly possible to understand this local or regional impact on the behaviour of a firm unequivocally, especially in an SME context, by taking into account the wide range of SMEs, as also argued by Curran & Blackburn (2001, p. 60). However, the consideration of contextual factors, such as the regional cultural background is likely influencing the sustainability and responsibility approach of SMEs. Therefore, it would be worthwhile develop a better understanding of this and explicitly include it in further research.

As indicated earlier, the sample was created considering certain characteristics of participating firms (see section 4.4.4). Here, no clear patterns could be identified in the data, such as, for instance, that larger firms in the sample make more use of formal instruments (Cassells & Lewis, 2011, p. 198) or that long-established firms behave according to certain values (for example, Koiranen, 2002) compared to more recently established ones. There might be several reasons for this finding. First, it could be that the sample size was too small to identify significant differences. More systematic large-scale quantitative research approaches could shed light on this. Second, as indicated above, there might be too many contextual and influencing factors. Hence, SMEs could be characterised as too heterogeneous to be able to de-

rive significant results. Finally, it could be that the attitudes and mentality of the owners and OMs are the most dominant factor, and other characteristics are less important.

Reflecting on the findings of this research it becomes apparent that, besides what has been discussed above, the research provides a number of contributions, as will be shown in the next section.

6.2 Contribution to Knowledge

This research has identified several gaps in literature, which can be seen in the following table. Moreover, the table provides a holistic overview of the extensive contributions of this study to the body of knowledge.

| Research gaps | Contribution to the body of knowledge |
|---|--|
| Limited research on sustainability and responsibility in SMEs (for example, Aragón-Correa et al., 2008, p. 88; Brammer et al., 2012, p. 423; Morsing & Perrini, 2009, p. 1; Spence & Painter-Morland, 2010, pp. 1-2), especially in a German context (for example, Grothe & Marke, 2012, p. 26; Walther et al., 2010, p. 91). | This research contributes at least in two ways to this gap. First, it offers a systematic analysis of the small business and entrepreneurship literature with regard to sustainability and responsibility (holistic view), and later provides in-depth discussion of international and German research literature identifying the main themes related to this research. Second, it conducts primary fieldwork on a sample of German SMEs and, thus, complements the existing literature from a special regional and contextual background, providing a rich insight into the views of (owner)-managers. |
| Predominance of quantitative and descriptive research on sustainability in a German context (for example, Volery & Gundolf, 2008, pp. 71-72; Walther et al., 2010, pp. 91-92; Walther & Schenkel, 2010, p. 84). | This research is underpinned by an interpretivist, social constructionist, philosophical orientation and consequently offers in-depth examination of the participating firms and a unique view to the world of (owner)-managers of SMEs. This research addresses a major gap in research on German SMEs. |
| The literature indicates that research should increase understanding on how sustainability and responsibility is organised and practised in SMEs (for example, Fassin, 2008, p. 375; | A main focus of this research is analysing how sustainability and responsibility is managed by SMEs as well as the practices in place. Overall, this research contributes to a better understanding of the sustainability and responsibility approach of German SMEs. |

| | |
|---|--|
| Johnson & Schaltegger, 2015, p. 2; Johnson, 2013, no page; Moore & Spence, 2006, p. 222; Morsing & Perrini, 2009, p. 3). | |
| Sparse research focuses on certain contextual issues (industry and regional focus) (for example, Spence, 2014, p. 20). | Fieldwork is undertaken in a specific region (Baden-Württemberg) with firms of the manufacturing sector. Thus, it provides in-depth examination of firms acting within a certain contextual frame. The explicit consideration of a specific contextual background represents a novel approach in German research on sustainability and responsibility in SMEs. |
| Firms that are aware of or engaged in sustainability and responsibility issues are more likely to participate in related research as well as answer questions in a socially desirable way, which may affect the expressiveness of findings and overdraw the engagement of the 'ordinary' firm (for example, Bader et al., 2007, p. 5; Roxas & Lindsay, 2012, p. 232; Sen & Cowley, 2013, p. 420). | In order to address this gap, this research has couched its objectives in general terms, in order to reach out to ordinary SMEs that do not seem overly aware of environmental and social issues. |

Table 26: Contribution of this research to knowledge
(Source: own illustration)

This research contributes empirically as well as theoretically to the body of knowledge, which will be covered in the next sections. In addition, a considerable methodological contribution is the conduction of an interpretive, inductive study in a field that is predominately characterised by quantitative research. Many of the contributions have already been covered above, after having discussed the findings in relation to the research questions. Additional issues and clarifying comments follow in the next sections.

6.2.1 Empirical Contributions

First, this work provides an in-depth and unique insight to the worldviews of (owner)-managers of SMEs and, consequently, indicates how SMEs approach issues of sustainability and responsibility, as the cultural sphere in SMEs is strongly influ-

enced by the values and beliefs of the owners. The fieldwork focused on manufacturing SMEs in the state of Baden-Württemberg. To the knowledge of the researcher, the present work is the first one, which addresses sustainability in ‘Mittelstand’ firms in this area. It could be shown that the consideration of the regional context of the study is a novel view in the field. There are indications that local people can be associated with attitudes like thriftiness or the acceptance of certain limitations, which may result in a position closer to the typical sustainability understanding. However, the regional context has not been addressed overly by participants, so that further research on this is urgently needed. Contrary to others (for example, Jenkins, 2006), this work aimed at reaching the ordinary firm in order to analyse the engagement of SMEs and not just some kind of CSR champions. This contributes to a better understanding of engagement for the vast majority of firms, although it must be noted that generalisability is not intended here.

Regarding the SME definition applied in this research, many firms in this sample would not have been considered according to other common definitions, such as according to the EC or IFM. But many of the characteristics discussed in the SME literature also apply to the firms used in this sample. So, one could argue that size is less important than the OM or family influence by which many firms are characterised. So, there is something that could be called ‘Mittelstand’ behaviour and the ‘Mittelstand’ way of doing business. Simply focusing on firms having, for example, less than 250 employees does not allow a comprehensive picture of the phenomena and the organisations being researched. Here, it would be helpful to find out whether a similar phenomenon could be identified internationally. Nevertheless, this approach represents a novel view on SMEs and contributes to better understanding of the overall sector.

Further empirical contributions include a number of conceptualisations developed throughout this research. The data allowed conceptualising the long-term orientation of SMEs (see section 5.2.4.2). An important point here is that the application of a longer time frame allows investments and developments, which could not be reached within shorter time frames, and the pressure of capital markets to achieve a certain profitability within one or two years. This could be seen as a major point that gives SMEs in the sample the chance to position themselves successfully in niche

markets and develop unique competencies. From the perspective of the researcher, such a long-term orientation can be associated with a more responsible and sustainable way of doing business, especially when combining long-term orientation with the value-oriented mentality conceptualised in section 5.2.9.2. Furthermore, this long-term perspective seems to be unique to the contextual background of this research, however, it would be of great value to conduct more in-depth comparative research, especially internationally, in order to analyse this phenomenon from different angles.

Moreover, (owner)-managers also indicated that the participating firms are involved in a number of practices related to different spheres. The identified practices considerably extend practices discussed in the literature and provide detailed insight into what is done by SMEs and could be potentially done by other firms that have not yet engaged in such practices. Most of the practices in the social sphere relate to charity projects but, more importantly, support education, such as having partnerships with schools. This certainly involves the intention to attract potential employees. Sponsoring clubs is not the focus of most of the firms, but if so, then the focus is on youth work. There are also indications that deciding what projects will be supported poses severe difficulties. Hence, some have decided to support issues anonymously, as this will not lead to further requests to support other projects. Overall, almost all the firms are engaged in this sphere but the intensity has varied a lot. With regard to employees, the most widespread practices are offering vocational training and continuous training but also flexible working hours or additional financial benefits. Here, the tendency is that practices which can be handled flexibly and are not related to a permanent financial burden are more widespread.

When looking at the environment, the vast majority of firms is involved in practices that reduce costs rather than aim to protect the environment. So, there is a strong business imperative. Only a few participants indicate that firms would invest in environmental protection that does not offer an adequate financial return. Thus, most of the participants have low environmental awareness. This finding has to be seen in the light of the strict environmental law in Germany. But the current legal situation is insufficient to address threats through climate change effectively. Furthermore, this research asks for a plural view on how firms manage environmental practices.

Environmental certifications cannot be seen as useful instruments per se, as their implementation is driven by customer pressure with no financial reward for the implementation. So, a major contribution of this research is the argument favouring a more plural view on this issue. It should be up to the firm how environmental practices are managed, as the simple implementation of an external system might lead to some kind of compliance or even mock compliance (Baden et al., 2009, p. 437) rather than the firm being motivated and engaged to find alternative and creative solutions to environmental challenges. This point will be discussed again in the next section (see section 6.2.2).

The following section presents some of the most important theoretical contributions of this research.

6.2.2 Theoretical Contributions

Two theoretical lenses, stakeholder theory and social capital theory, underpin this research. While it is not in the scope of this research to profoundly test the applicability of these theories, some interesting findings are worth addressing here.

First, there is the overall impression that SMEs are rather unaware of what is expected from them by stakeholders or firms do not actively analyse what could be expected. Among the most important stakeholders are employees, so it is not surprising that parts of the literature reconceptualise the stakeholder approach by granting employees a more dominant position (for example, Klein & Vorbohle, 2008, p. 51). Others include the private sphere and the family of the OM (Spence, 2014, p. 8), which is also supported by the data, while some family members also partly own shares of the firm. It is reasonable to assume that the number of stakeholders in SMEs is lower than in large corporations. However, the firms in the sample do not proactively analyse potential claims of these stakeholders but act in a reactive and spontaneous way, as is also supported by Walther & Schenkel (2010, p. 90). Additionally, this research implies that the natural environment is not appropriately represented in the stakeholder approach and is, according to the majority of participants, seen as a business factor rather than a sphere that requires intense protection. Especially with regard to stakeholders, who cannot actively claim protection, one has to conclude that stakeholder theory, as a single frame to analyse the sustainabil-

ity and responsibility engagement of SMEs, is not satisfactory (see also Clifton & Amran, 2010, p. 133; Hörisch et al., 2014, p. 332; Thompson & Driver, 2005, p. 62). The combination of legal initiatives (for example, Masurel, 2007, p. 196) and complementing support programmes for SMEs (for example, Goetz, 2010, p. 1051) might be the only solution that contributes to a more successful consideration of environmental threats, nowadays especially the prevention of climate change. Here, it would be useful to conceptualise alternative stakeholder models that can effectively consider claims of such non-social stakeholders but this would require the sole focus on this issue and cannot be achieved by this research.

Second, the social capital lens helped analyse the relationship with the local community. The literature sees a higher relevance of the social capital view rather than the stakeholder angle for SMEs (Preuss & Perschke, 2010, p. 547; Vázquez-Carrasco & López-Pérez, 2013, p. 3216). Here, it is argued that the combination of both views provides a more thorough approach to analyse the engagement of SMEs, although many points of the conceptions might be considered implicitly, especially in research with an exploratory stance.

The local embeddedness of SMEs has been conceptualised in section 5.2.5.2. This provides systematisation of the structural social capital relationships, as there was relatively little information on the quality of the relationships. SMEs have a multifaceted network especially in a local context or with other SME business partners, such as suppliers or customers; however, these local networks are not overly extensive and SMEs in the sample primarily focus on their business relationships. Especially in business relationships, the participants indicate that personal contact and trust is essential. These aspects can be seen as pivotal in developing social capital. This is especially true when looking at the cooperation between SMEs. Participants only have a case-related relationship with local authorities and there does not exist something like regular communication between firms and the local authority. Examples in data show how participants established associations to overcome this lack of exchange. Here, it can be argued that local authorities should develop regular instruments that allow firms to directly communicate with official representatives, in order to identify issues to improve the situation for firms (for example, infrastructure, bureaucratic issues). Here, it is crucial to include especially smaller SMEs, as

these might develop into major taxpayers, employers and members of the local community. Moreover, there are frequent connections to schools and other organisations in the local community. With regard to this, more focused research is necessary that more concretely addresses the integration of SMEs in various networks, such as business associations, community councils, and many other local and regional connections, while also considering the benefits and risks of creating social capital, as recently requested by Ayios et al. (2014, pp. 110-111).

Third, given that participants attach high importance to building a personal and trustful relationship with employees, creating internal social capital between management and employees is more important than the outside perspective regarding externals, with which social capital is mostly associated. Especially, when taking into account that SMEs usually pass several phases of growth or transformation, firms should actively manage this internal perspective to ensure that the company culture is not damaged in such phases of change. The components of an employee-oriented company culture have been conceptualised in section 5.2.6.2. The points discussed there (for example, fairness, security, support) can certainly support developing such a culture and may contribute to the well-being and motivation of employees and, given the threats resulting from demographic change, also to the success of the firm in the mid- and long-term.

The findings and contributions of this research have a number of implications for SMEs, which will be addressed in the following.

6.3 Implications

It is beyond doubt that the importance of sustainability issues has increased tremendously in recent years. While the individual SME might be negligible, the collective impact of SMEs is not (Hillary, 2000, p. 11). From the perspective of the researcher, therefore, firms must integrate sustainability and responsibility considerations in their calculus. The fieldwork indicates that SMEs in the sample principally follow a long-term perspective and are less short-term profit-oriented. Moreover, they implicitly apply a special mentality that is underpinned by certain values. This is a major point that may allow SMEs to follow a more sustainable way of doing business. However, SMEs in the sample partly experience considerable pressure from large

corporations, which may reduce this potential. Hence, OMs with the desire to pursue a more sustainable way of doing business should strive to shift the customer base to other SMEs, or develop a niche position that counteracts the interchangeability from which many SMEs suffer. This may increase the space of freedom to engage in sustainability and responsibility issues.

Moreover, demographic change is a huge challenge for SMEs. Here, firms should strive to develop a good and supportive firm culture, and the management should be sensitised about the importance and role of employees for SMEs. Participative and collaborative management styles are considered as essential, insofar as they lead to a closer relationship with the local community and a higher reputation of the firm, as employees tend to be more engaged in this sphere (Maaß & Reinhard, 2002, p. 129; Maaß, 2006, p. 108). There are successful examples in the data that have developed such a positive image and face fewer problems in attracting new employees.

There is a discussion in the literature about how sustainability should be managed in SMEs. It is widely accepted that formal and standardised management instruments are only rarely implemented by SMEs (Johnson, 2013 no page; Meyer et al., 2009, p. 132), which is also supported by the fieldwork here. This is not surprising as these systems contradict the basic characteristics of SMEs, and if such systems are implemented (for example, because of pressure from a large customer), it is questionable whether they would improve sustainability performance at all. While some firms in the sample are able to use such management systems easily, it does not seem to be the case for most firms. From the point of the researcher, it is of less importance how SMEs manage sustainability aspects (for example, environmental aspects) or if they make use of systematic management instruments. It is more important that they are aware of the importance of the environmental dimension and that SMEs start to actively manage environmental issues at all, especially issues that do not pay off or only in a very long-term perspective. Key-decision makers should personally attach high priority to this. An informal management approach will also demand lots of resources from SMEs but these resources are better invested than in some kind of compliance approach that ensures meeting the standards of sustainability or environmental management systems. More effective support programmes by govern-

ment agencies would be central to such a development, as firms rarely make use of existing programmes.

Finally, the fieldwork has indicated that there are relationships between firms to implement more sustainable practices (for example, reusable packaging systems). However, this is the case for very few firms. Firms which can be considered leaders in sustainability and responsibility themes should actively promote a more sustainable way of doing business, although this might be a lengthy and challenging process. There are numerous opportunities for building networks, especially for smaller firms in the same local community, such as joint projects on green energy supply, green heating systems, day-care centres, training facilities for employees, canteens, sports facilities and more. In particular, environmental projects which are difficult to initiate for an individual firm could be part of such collaboration and may help create intense networks with other firms as well as provide resources for firms that would otherwise not exist. Thus, such projects could be beneficial from an economic point of view. More research on this is urgently needed as will be discussed later (see section 6.5).

6.4 Limitations of the Study

As with every research activity, this study also has several limitations. First, the research is underpinned by an interpretive philosophical orientation and, thus, objectivity is not pretended, unlike in positivistic and foundationalist approaches. Research from other paradigms could see this as a severe weakness. Consequently, this research might be affected by the subjectivity of the researcher (Stokes & Wall, 2014, pp. 98-99). For this reason, every step in the research process has been presented and discussed in a transparent and reflective way. Furthermore, the exploratory and inductive nature of the research involves, compared to deductive approaches, considerably smaller sample sizes (Saunders, 2012, pp. 44-45). In this research, the findings are based on 30 purposively sampled interviews with OMs and MDs of SMEs. Hence, findings cannot be considered to be representative for the whole population of SMEs. Moreover, the fieldwork focused on manufacturing SMEs in a special region (Baden-Württemberg), which may also speak against the generalisability of findings. Additionally, the SME conceptualisation used in this research (see Becker & Ulrich, 2011, pp. 28-29) is strongly applicable to the regional context,

though substantially different from other definitions used in research, and tends to include larger SMEs. Given the qualitative characteristics of SMEs, some findings may be transferable to other settings, though this makes careful reflection on the context indispensable.

Findings in this research are based on data created through personal interviews with one participant per firm. Insofar findings are based on the views of these participants. Although this is compared to complementary data such as company websites and extensively with the literature, the interview data forms the most important source of knowledge and no other primary data source has been used. Given that the researcher does not believe in one external reality, additional primary data would have led to another constructed data set rather than accumulated knowledge. Interviews as a data collection method can be heavily critiqued (for example, Hammersley, 2003, pp. 121-122; Kvale & Brinkmann, 2009, p. 294) and it is questionable whether the knowledge created by interviews can be transferred to the world outside of the interview situation (Diefenbach, 2009, p. 884). Here, it must be stated that the objective of this research was to create insight into the view of participants on their sustainability and responsibility engagement, and the researcher believes that this goal has been achieved.

When doing research in areas that involve responsibility, moral issues and so on, socially desirable answers represent a threat to the usefulness of the data (Roxas & Lindsay, 2012, p. 224; Sen & Cowley, 2013, p. 420; Spence & Rutherford, 2001, p. 130). It also is likely that firms which are more strongly engaged in sustainability and responsibility participate in such research while the 'ordinary' firms tend to be reserved. That is why the objectives of this research, material offered to the participants, and the questioning approach were designed to be open and neutral, in order to avoid having a sample restricted to something that could be called CSR champions (for example, Jenkins, 2006). Also, in the course of data collection, it was felt that most of the participants provided honest accounts and reflected on critical issues.

Some of the limitations above indicate avenues for further research. These will be addressed in the following section.

6.5 Areas for Further Research

Given the exploratory nature of this research, there is a need for further research in key and novel areas. A distinction can be made here between methodological and content-related implications.

6.5.1 Methodological Considerations

Regarding the methodological area, further research should consider different kinds of participants. While (owner)-managers are a major source of knowledge, it would be helpful to gather data from employees across different hierarchies, officials in local authorities and business associations, consultants strongly engaged in sustainability in an SME context and so on. This could considerably widen the perspective of knowledge, as it provides views from different angles on the phenomena under research. Furthermore, it could be useful to use different data collection techniques; especially ethnographic approaches could shed light on the research field (Winkler, 1987, p. 130), although the practical constraints might be substantial. Moreover, focus groups could be organised at meetings of SME associations or conferences. But then creative and sophisticated questioning techniques should be used, in order to avoid that participants refuse to talk about sensitive and unfamiliar topics (Acocella, 2012, p. 1134; Qu & Dumay, 2011, p. 243).

Further interpretive and naturalistic attempts could also be extremely useful to the field, given the limited knowledge attained thus far. Additional quantitative research and applying a deductive, explanatory stance are also of high importance. But such research should use the findings and contributions of existing exploratory research, in order to test ideas and thoughts on a broader sample size. It seems that German research so far has only rarely recognised the importance of exploratory attempts. Here, it would be extremely interesting to see whether the special culture and ethos of (owner)-managers of SMEs can be verified quantitatively and how the ideas developed here can be refined.

Moreover, future research should focus on other regions and/or industries in Germany and beyond, in order to build a mosaic of a heterogeneous research field. In this regard, it could be useful to consider alternative conceptualisations of SMEs, such as those that allow one to consider firms with more than 250 employees to learn more

about whether a similar ‘Mittelstand’ phenomenon exists internationally and if so, what differences can be identified, how those firms relate to large corporations, and in what kinds of networks those firms are involved.

Besides methodological considerations, a number of additional suggestions for further research were identified.

6.5.2 Content-related Considerations

Generally, more knowledge is required on how SMEs (in Baden-Württemberg) are integrated and interact with their local community, such as local authorities and business associations, and how social capital can be used to examine this network. Using a similar line of reasoning, one could also address the arrangement and intensity of networks between SMEs and other firms as well as linkages to universities and how such networks affect the implementation of sustainability aspects. Network externalities have been identified as a major potential source to spread sustainable practices. Here, it would be valuable to identify further best practice examples to better understand how such collaboration can be supported.

Many participants have a negative view of large corporations and prefer to work with other SMEs. Hence, it may be important to learn more about this phenomenon, particularly whether it might be industry specific or a social construction of participants in this research and whether other participants would indicate alternative views. Including ‘dependence’ could provide an important clarifying point. This also requires the use of larger sample sizes. Moreover, learning more about the views of large corporations on cooperation with SMEs would shed light on the overall relationship of such firms. It has been suggested to shift the customer base to other SMEs for those firms having problems with large corporations, in order to increase the space of freedom to include issues not directly related to the survival of the business. However, there might be risks associated with this suggestion, such as a too diversified customer structure, personal animosities between the acting (owner)-managers and so on. Hence, learning more about the potential negative aspects of the ‘inter-SME’ relationship is an important avenue for further research. This also includes providing more in-depth and focused analyses of the special ethos, culture and values applied by SMEs, as done by Koiranen (2002).

The research indicates a considerable variation in the views of participants on works councils, which also have a low rate of application in SMEs. In this regard, more knowledge is required on the reasons of this low dissemination, alternative ways of considering employee interests and more in-depth knowledge on SMEs that have positive experiences here.

Finally, more knowledge is required on the operational procedures and processes for managing sustainability. By developing informal instruments that are more easily implementable could ultimately result in instruments that are more applicable to SMEs. This was recently identified by a systematic review of the respective literature (Johnson & Schaltegger, 2015, p. 14), but ultimately the development must be carried out in the field by talking to the people in charge rather than doing desk work or quantitative studies, as has been common in the past in Germany. However, implementation of instruments is strongly related to awareness of environmental aspects and knowledge about the instruments (for example, Johnson, 2013, no page). So, fostering a more sustainable way of thinking that is also lived and practised will probably be the most prevalent challenge in the coming decades.

While reviewing the literature for this research project, the researcher has also had a chance to review literature dealing with the elites, especially elite interviews. It was found that literature on elite interviews indicates several specific challenges that researchers are likely to face. Such issues could be, for instance, time constraints of potential participants, power inequalities between researcher and participant, as well as the efforts of negotiating access (Brandl & Klinger, 2006, p. 47; Thomas, 1993, p. 83). Many of these points may also apply to the context of (owner)-managers, who can be considered as a kind of local, business and community elite (Delaney, 2007, pp. 210-211; Harvey, 2011, p. 433; Odendahl & Shaw, 2002, p. 303), as many of them are well-known in the local or regional context and have considerable decision-making influence on employees and the local community in which the firm is situated. Consequently, it would be of interest to follow up a perspective related to the elite position of participants, such as from a more robust elite theoretical perspective (Dexter, 2006, pp. 18-22; Smith, 2006, p. 645; Woods, 1998, pp. 2102-2103) or a more pragmatic understanding (Moyser & Wagstaffe, 1987, p. 16). Here, it may be of importance whether the elite view offers new insights during fieldwork

(negotiating access, during the interview situation and so on.) and if there are differences in the elite status of OM and MDs as well as how these might influence the sustainability and responsibility behaviour of SMEs.

The researcher hopes that this study has contributed some new knowledge and indicated interesting avenues for further research. This is a fascinating and significant research field that deserves close scrutiny and intense research from various disciplines in the future.

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Appendix

Appendix 1: Sample Journals

| Publisher | Name of the Journal | Ranking |
|------------------|---|---------|
| Taylor & Francis | Entrepreneurship & Regional Development (ERD) | C (B) |
| Wiley | Entrepreneurship: Theory and Practice (ETP) | A |
| Sage | Family Business Review (FBR) | C (B) |
| Emerald | International Journal of Entrepreneurial Behaviour and Research (IJEBr) | D (C) |
| Sage | International Small Business Journal (ISBJ) | C |
| Elsevier | Journal of Business Venturing (JBV) | A |
| Sage | Journal of Entrepreneurship (JE) | C |
| Emerald | Journal of Small Business and Enterprise Development (JSBED) | D (n/a) |
| Wiley | Journal of Small Business Management (JSBM) | B |

Appendix 2: Overview on Published Articles

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Σ | Total |
|-------|------|------|------|------|------|------|------|------|------|------|------|-----|---------------|
| ERD | 1 | 2 | 1 | 0 | 1 | 1 | 2 | 1 | 6 | 6 | 2 | 23 | 290 7.93% |
| ETP | 0 | 0 | 0 | 0 | 2 | 3 | 1 | 1 | 7 | 5 | 4 | 23 | 372 6.18% |
| FBR | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 1 | 2 | 0 | 1 | 8 | 216 3.70% |
| IJEBr | 0 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 1 | 0 | 0 | 9 | 243 3.70% |
| ISBJ | 1 | 0 | 0 | 2 | 0 | 3 | 0 | 1 | 1 | 4 | 2 | 14 | 295 4.75% |
| JBV | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 7 | 6 | 0 | 1 | 17 | 409 4.16% |
| JE | 0 | 0 | 0 | 1 | 2 | 2 | 1 | 3 | 3 | 1 | 4 | 17 | 108 15.74% |
| JSBED | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 2 | 3 | 11 | 442 2.49% |
| JSBM | 1 | 0 | 0 | 0 | 1 | 0 | 2 | 1 | 1 | 1 | 1 | 8 | 313 2.56% |
| Σ | 4 | 5 | 4 | 3 | 8 | 12 | 13 | 16 | 28 | 19 | 18 | 130 | 2688 4.84% |

Appendix 3: Focus of Articles

| | Sustainability | Social | Environmental | Ethics | Stakeholder | Total |
|-------|----------------|---------------|---------------|---------------|-------------|---------------|
| Total | 15 (11.6%) | 75 (57.7%) | 16 (12.3%) | 18 (13.8%) | 6 (4.6%) | 130 (100%) |
| ERD | 1 | 18 | 3 | 1 | 0 | 23 |
| ETP | 2 | 18 | 0 | 1 | 2 | 23 |
| FBR | 0 | 3 | 1 | 3 | 1 | 8 |
| IJEBR | 1 | 7 | 1 | 0 | 0 | 9 |
| ISBJ | 2 | 6 | 4 | 2 | 0 | 14 |
| JBV | 6 | 2 | 2 | 6 | 1 | 17 |
| JE | 1 | 10 | 4 | 2 | 0 | 17 |
| JSBED | 2 | 7 | 0 | 0 | 2 | 11 |
| JSBM | 0 | 4 | 1 | 3 | 0 | 8 |
| | | | | | | |
| Total | 15 | 75 | 16 | 18 | 6 | 130 |
| 2012 | 2 | 12 | 0 | 1 | 3 | 18 |
| 2011 | 5 | 13 | 1 | 0 | 0 | 19 |
| 2010 | 4 | 19 | 4 | 1 | 0 | 28 |
| 2009 | 1 | 7 | 0 | 8 | 0 | 16 |
| 2008 | 1 | 9 | 1 | 1 | 1 | 13 |
| 2007 | 2 | 4 | 4 | 1 | 1 | 12 |
| 2006 | 0 | 6 | 1 | 1 | 0 | 8 |
| 2005 | 0 | 0 | 1 | 2 | 0 | 3 |
| 2004 | 0 | 3 | 0 | 0 | 1 | 4 |
| 2003 | 0 | 2 | 2 | 1 | 0 | 5 |
| 2002 | 0 | 0 | 2 | 2 | 0 | 4 |

Appendix 4: Methodological Foundation of Articles

| | Σ | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|----------|-------|-------|--------|--------|-------|-------|-------|-------|-------|-------|-------|
| Theoretical | 41 | 1 | 2 | 0 | 1 | 2 | 6 | 4 | 5 | 8 | 10 | 2 |
| | (32%) | (25%) | (40%) | (0%) | (33%) | (25%) | (50%) | (31%) | (31%) | (29%) | (53%) | (11%) |
| Empirical | 89 | 3 | 3 | 4 | 2 | 6 | 6 | 9 | 11 | 20 | 9 | 16 |
| | (68%) | (75%) | (60%) | (100%) | (67%) | (75%) | (50%) | (69%) | (69%) | (71%) | (47%) | (89%) |
| Total | 130 | 4 | 5 | 4 | 3 | 8 | 12 | 13 | 16 | 28 | 19 | 18 |
| Qualitative | 39 | 0 | 0 | 1 | 0 | 2 | 5 | 5 | 4 | 9 | 5 | 8 |
| | (45%) | (0%) | (0%) | (25%) | (0%) | (33%) | (83%) | (56%) | (40%) | (47%) | (56%) | (53%) |
| Quantitative | 34 | 2 | 1 | 2 | 2 | 4 | 0 | 4 | 5 | 7 | 3 | 4 |
| | (40%) | (67%) | (33%) | (50%) | (100%) | (67%) | (0%) | (44%) | (50%) | (37%) | (33%) | (27%) |
| Mixed-method | 13 | 1 | 2 | 1 | 0 | 0 | 1 | 0 | 1 | 3 | 1 | 3 |
| | (15%) | (33%) | (67%) | (25%) | (0%) | (0%) | (17%) | (0%) | (10%) | (16%) | (11%) | (20%) |
| Total Empirical ¹³ | 86 | 3 | 3 | 4 | 2 | 6 | 6 | 9 | 10 | 19 | 9 | 15 |

Appendix 5: Geographical Focus

| # | Countries | # | Countries |
|----|-----------|---|---|
| 17 | USA | 3 | Finland, Israel |
| 13 | UK | 2 | Denmark, Germany, New Zealand |
| 7 | Australia | 1 | Bangladesh, China, Ireland, Italy, Mexico, Netherlands, Philippines, Samoa, South Africa, Spain, Switzerland, |
| 5 | India | | |

¹³ Three articles did not indicate whether their results rely on quantitative, qualitative or mixed data. Hence, the analysis of the empirical articles is based on 86 articles.

Appendix 6: Research Questions vs. Interview Questions

| Research Questions | Interview Questions |
|---|--|
| | Could you please give me some information about your background and how you got your present position (age, education, context etc.)? |
| | Could you please tell me something about a typical working day, what are the main tasks, which challenges do you face? |
| What is the awareness and motivation of SMEs to engage in social or environmental issues? | Could you please indicate the major challenges your firm is facing? |
| | What do you think are the major challenges the society is facing? |
| | In media it is frequently stated that firms and (owner)-managers should also have an obligation to care for the well-being of the society or community. Do you think so and what could that be? |
| How do SMEs understand their responsibility towards the society? | In the light of your experience as an (owner)-manager, could you please describe in your own words how would you see your most important objectives? |
| | Did you experience any demands from external or internal stakeholders? If yes, which? |
| | Are there any groups with whom the firm interacts or supports (community/society)? |
| How do SMEs manage social and environmental issues? | The public debate seems to imply that, for example, the situation of employees within the firms has worsened (fixed-term contracts, subcontracted-labour, mental problems due to increased working pressure etc.). What is your opinion on that? |
| | Environmental threats are a widely documented phenomenon (for example climate change, shortage of resources etc). What are practices in your company to protect the environment? |
| | When you have to work with a new supplier, how do you select them? Could you please describe |

| | |
|--|---|
| | the process? |
| | Regarding the above discussed issues, could you please describe the management process? |
| | If these issues are not considered in a formal management instrument, could you please describe the process how you manage environmental and social issues? |
| | Do you know any management instruments with regard to social or environmental issues? |
| | How do you communicate your engagement? |
| What are drivers and barriers of an engagement in social and environmental issues? | Do you think an engagement in environmental and social issues can be the source of a competitive advantage and contribute to the business success? Why? |
| | Did you experience any problems in undertaking such practices? If yes, which? |
| | Do you experience any internal or external pressure to engage in social or environmental issues? If yes, which? |
| | Are you actively involved in any networks respectively business associations? If yes, which? |
| | Do you know concepts like sustainable development, corporate social responsibility and corporate sustainability? |
| | What is your understanding of these terms? |
| | Do you think that any of these terms are appropriate to describe your engagement and why? |
| | Could you please describe what would be a successful annual year for your company? |
| | Is there anything else you would like to add or mention? |

Appendix 7: Initial Company Contact Letter

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Address of potential participant

Pforzheim, date

Research project on 'Mittelstand' firms in Baden-Württemberg

Dear Mrs, dear Mr. XY,

I am writing to you, because I am interested in your experiences and expert knowledge as an owner-manager/managing director. The objective of my doctoral research at the University of Chester, UK (in cooperation with Prof. Bernd Britzelmaier from Pforzheim University) is to develop a better understanding, what challenges 'Mittelstand' firms have to tackle, how they ensure their long-term existence as well as how societal aspects are related to the aforementioned points.

'Mittelstand' firms are the backbone of the economy in Baden-Württemberg, however are not yet addressed sufficiently by business research. By focusing on 'Mittelstand' firms the present study addresses an important gap and contributes to a better understanding of the characteristics and needs of 'Mittelstand' firms.

I would be very grateful, if you would find time for a personal interview. The interview will last about 45 to 60 minutes. No preparation is required for the interview, as your experiences and views are in the main scope. Data will be treated absolutely confidential and analysed only in an anonymous form. A summary of the research results will be provided to you after completion of the research project.

I will contact you by phone in the next days in order to arrange an appointment. I sincerely thank you in advance for your support and please do not hesitate to contact me in the case of questions.

Kind regards,

Patrick Kraus

Appendix 8: Post-interview Report

Token:

Duration:

Place:

Disruptive factors:

Mode of contact (willingness to participate/hesitations/concerns):

Pre-recording talk/issues:

Interview (willingness to share information, openness, non-verbal issues etc.):

Post-interview talk:

Additional notes (for example personal feelings of the interviewer):

Appendix 9: Information on Sample Firms

| Name | Token | Employees | Product | Founded | Location | Position | Gender | Age | Education | Location | Duration | Comments |
|-----------|----------------|-----------|------------------------|---------|-----------|----------|--------|-----|---|--------------|----------|---|
| Company A | PS002_20131227 | 1000 | Electrical engineering | 1978 | Stuttgart | MD | Male | 51 | University degree, business studies | Meeting room | 37 min | Second participant, colleague, did not answer questions |
| Company B | MS001_20140114 | 150 | Mechanical engineering | 1948 | Stuttgart | OM | Male | 64 | Doctorate, technical background | Office | 48 min | |
| Company C | MS002_20140116 | 400 | Mechanical Engineering | 1925 | Karlsruhe | OM | Male | 70 | University degree, economics | Office | 84 min | Second participant, daughter of OM |
| Company D | MS003_20140117 | 150 | Electrical engineering | 1996 | Heilbronn | OM | Male | 52 | University degree, technical background | Meeting room | 62 min | |
| Company E | MS004_20140123 | 3000 | Mechanical engineering | 1907 | Stuttgart | OM | Male | 62 | University studies business and law, not complet- | Office | 49 min | |

| | | | | | | | | | | | | |
|-----------|----------------|-----|------------------------|------|-----------|----|--------|----|--|--------------|---------|--|
| | | | | | | | | | ed | | | |
| Company F | MS005_20140207 | 200 | Mechanical engineering | 1908 | Stuttgart | MD | Male | 51 | University degree, technical and business background | Meeting room | 53 min | |
| Company G | MS006_20140221 | 130 | Mechanical engineering | 1960 | Pforzheim | MD | Male | 63 | Professional degree, business | Meeting room | 53 min | |
| Company H | MS007_20140321 | 600 | Construction industry | 1962 | Karlsruhe | MD | Male | 61 | University degree, technical and business background | Meeting room | 64 min | |
| Company I | MS008_20140324 | 700 | Mechanical engineering | 1928 | Pforzheim | MD | Female | 42 | University degree, business | Office | 25 min | |
| Company J | MS009_20140327 | 300 | Mechanical engineering | 1921 | Calw | MD | Male | 48 | University degree, business | Meeting room | 100 min | |
| Company K | MS010_20140415 | 400 | Mechanical engineering | 1921 | Karlsruhe | OM | Male | 63 | University degree, technical back- | Meeting room | 89 min | |

| | | | | | | | | | | | | |
|--------------|----------------|------|---------------------------|------|------------|---|--------|----|--|-----------------|--------|--|
| | | | | | | | | | ground | | | |
| Company L | MS011_20140521 | 80 | Mechanical engineering | 1983 | Reutlingen | Executive | Female | 29 | University degree, busi- ness | Meeting room | 51 min | |
| Company M | MS012_20140523 | 1300 | Mechanical engineering | 1982 | Karlsruhe | Former OM, chairman, advisory board | Male | 76 | Professional degree, busi- ness | Meeting room | 87 min | |
| Company N | MS013_20140528 | 80 | Mechanical engineering | 1935 | Stuttgart | OM | Male | 57 | University degree, busi- ness | Office | 69 min | |
| Company O | MS014_20140606 | 50 | Consumer goods | 1928 | Stuttgart | OM | Male | 59 | University degree, busi- ness | Meeting room | 56 min | |
| Company P | MS015_20140617 | 700 | Mechanical Engineering | 1978 | Pforzheim | OM | Male | 67 | Professional degree, tech- nical back- ground | Office | 69 min | |
| Company Q | MS016_20140618 | 1300 | Mechanical engineering | 1925 | Karlsruhe | Former OM, chairman, board of | Male | 69 | University degree, busi- ness | Office | 70 min | |

| | | | | | | | | | | | | |
|--------------|----------------|-----|---------------------------|------|-----------|-----------|--------|----|--|-----------------|--------|--|
| | | | | | | directors | | | | | | |
| Company R | MS017_20140623 | 120 | Electrical engineering | 1964 | Heilbronn | OM | Female | 46 | University degree, busi- ness | Meeting room | 86 min | |
| Company S | MS018_20140630 | 140 | Mechanical Engineering | 1953 | Stuttgart | OM | Male | 55 | Professional degree, tech- nical and business background | Meeting room | 51 min | |
| Company T | MS019_20140701 | 700 | Mechanical Engineering | 1996 | Pforzheim | Executive | Male | 52 | University degree, busi- ness | Meeting rom | 52 min | |
| Company U | MS020_20140707 | 120 | Mechanical Engineering | 1965 | Heilbronn | MD | Male | 54 | University degree, tech- nical back- ground | Office | 53 min | |
| Company V | MS021_20140711 | 500 | Electrical engineering | 1926 | Pforzheim | OM | Male | 51 | University degree, tech- nical and business background | Meeting room | 57 min | |
| Company W | MS022_20140716 | 140 | Mechanical engineering | 1970 | Pforzheim | OM | Male | 50 | University degree, tech- | Meeting room | 74 min | |

| | | | | | | | | | | | | |
|---------------|----------------|-----|---------------------------------------|------|--------------|----|--------|----|--|-----------------|--------|--|
| | | | | | | | | | nical and business background | | | |
| Company X | MS023_20140717 | 120 | Chemical industry | 1923 | Karlsruhe | OM | Male | 61 | University studies, law, not complet- ed | Office | 79 min | |
| Company Y | MS024_20140721 | 900 | Production/ different divisions | 1906 | Stuttgart | MD | Male | 47 | University degree, busi- ness | Office | 74 min | |
| Company Z | MS025_20140722 | 600 | Mechanical engineering | 1969 | Heilbronn | MD | Male | 46 | Professional degree, busi- ness | Meeting room | 48 min | |
| Company AB | MS026_20140723 | 20 | Mechanical engineering | 1992 | Pforzheim | OM | Female | 52 | Professional degree, tech- nical back- ground | Meeting room | 76 min | Second participant, husband of the OM |
| Company AC | MS027_20140725 | 110 | Service/ construction industry | 2001 | Stuttgart | OM | Male | 60 | University degree, tech- nical back- ground | Meeting room | 80 min | |
| Company AD | MS028_20140731 | 100 | Mechanical engineering | 1959 | Freudenstadt | OM | Male | 57 | Doctorate, technical | Meeting room | 75 min | |

| | | | | | | | | | | | | |
|-----------------------------|----------------|-----|---------------------------|------|-----------|----|--------|----|-------------------------------------|-----------------|-----------------|--|
| | | | | | | | | | background | | | |
| Company AE | MS029_20140811 | 130 | Mechanical engineering | 1969 | Stuttgart | OM | Female | 49 | University degree, busi- ness | Meeting room | 47 min | |
| Total interview time | | | | | | | | | | | 1918 min | |

Appendix 10: Coding Template (Final Version)

| | Construct (Theme/Sub-theme/Code) | Description |
|--|---|---|
| Context of SMEs and personal issues of their owner-managers and managing directors (Themes 1 and 2) | | |
| 1 | General personal attitudes of the participants | This is a major theme, which could be derived from the data, and consists of issues of the personal mentality of the participants as well as how they view large corporations |
| | <i>Mentality of the owner-manager/managing director</i> | Is used as a sub-theme that organises codes that indicate the mentality of the interview participants |
| | Self-determination | Includes: all aspects that show that participants wish to decide for their own without having to ask others for permission etc. and that this represents a major motivation for what they do |
| | Assertiveness | Includes: issues of discipline, the willingness to enforce things and in general a hard working mentality |
| | Self-evaluation | Includes: statements of participants that indicate how they see themselves and what characteristics they seem to demonstrate |
| | Baden-Württemberg Context | Includes: aspects of the mentality of the people in the Federal State of Baden-Württemberg resp. southern Germany |
| | Sustainability in the private sphere | Includes: references that indicate if sustainability issues are considered in private life of participants |
| | <i>Views on large enterprises</i> | Is used as a sub-theme that organises codes that describe participant's view on large corporations |
| | Large enterprise thinking | Includes: quotes, which show how large corporations seem to operate or what seems to be characteristic for them from the viewpoint of smaller firms. This also includes issues of slowness and inflexibility |
| | Corporate power | Includes: references that indicate the power of large corporations on their value chain |
| | Effect of the capital market | Includes: aspects that exemplify the effect the capital market has on the way how a firm operates, such as short-termism |
| | Arrogant behaviour | Includes: statements that refer to an arrogant behaviour of large corporations towards SMEs |
| | Keeping personal distance | Includes: all comments that illustrate that there only is a very limited personal contact between SMEs and staff of large enterprises, such as rotating staff at large firm's purchasing departments or ignoring the individual situation of SMEs |
| | Personal antipathy | Includes: negative view on large corporations and people who have worked their |
| | Balanced view on large enterprises | Includes: references of participants that do not lump together all large corporations and also show positive aspects |

| | | |
|---|--|--|
| 2 | Characteristics of 'Mittelstand'-firms | This represents a major theme developed from the data. The interview approach lead to the fact that a substantial part of the data deals with general attributes that seem to be typical for SMEs. However, there are also issues of sustainability addressed, such as a long-term orientation of the firms. Nevertheless, the focus here is mainly on economic issues and the structural organisation of SMEs |
| | <i>Traditional descriptive characteristics</i> | Is used as a sub-theme that organises codes, which mainly collect basic attributes also predominantly identified in literature |
| | Hierarchical levels | Includes: references that describe the hierarchical structure of smaller firms |
| | Resource scarcity | Includes: lack of financial resources, staff, knowhow and similar issues |
| | Flexibility | Includes: quotes that indicate that SMEs can act on a relative flexible base and can decide within a relative short period of time |
| | Reluctance to change | Includes: references that refer to the point that there seems to be the tendency of not being able to adapt to changes in general |
| | <i>Nature of tasks</i> | Is used as a sub-theme that organises codes mainly describing the nature of tasks employees and management of SMEs have to tackle |
| | Width of working tasks | Includes: references that describe the great variety of working tasks at SMEs |
| | Ad hoc mentality | Includes: statements of participants that indicate limited predictability of working days at SMEs, especially from the management perspective |
| | Strategic tasks | Includes: references that refer to strategic issues, such as ensuring the long-term existence of the firm |
| | Operational tasks | Includes: quotes that exemplify the importance of the operative sphere more directly. This is also reflected in the codes on the width of the working tasks and ad hoc mentality |
| | <i>Handling information</i> | Is used as a sub-theme that organises codes related to disclosure of information to external but also internal stakeholders, such as employees |
| | External transparency | Includes: references that describe the treatment of information to externals |
| | Internal transparency | Includes: references that refer to the treatment of information to internal groups, here mainly employees |
| | <i>Orientation of the firm</i> | This sub-theme organises codes that describes the strategic alignment of the firms, such as a differentiation strategy or aiming at preserving independence of the firm |
| | Specialisation/niche focus | Includes: references that refer to endeavour of firms to develop or defend a niche position in order to reduce their replaceability |
| | Defending price level/product value | Includes: such as rejecting offers of customers characterised by a too strong pricing pressure, emphasising product quality to justify the price level |
| | Independence | Includes: trying to avoid to be over dependent of banks, large customers and so forth |

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| | Internationalisation | Includes: references that describe the challenges of international markets and globalisation to the firms |
| | <i>Long-term view</i> | This is a sub-theme identified in data that organises codes implicating that SMEs in the sample predominantly follow a long-term approach in doing business. |
| | Developing the firm | Includes: being innovative, developing and improving technical procedures, new buildings and infrastructure, improving the long-term competitive situation of the firm and similar issues |
| | Growth | Includes: reference that refer to company as an objective of participants, the importance of growing (or not) as well as critical issues on growth |
| | Economic success | Includes: references that describe what is seen as an appropriate profit, the importance of profit and similar issues |
| | Relationship to customers | Includes: more general aspects regarding the relationship to customers, such as a retaining repeat customers, development partnerships with customers etc. |
| | Relationship to suppliers | Includes: references that mainly describe a long-term and co-operative relationship to suppliers |
| | Passing down generations | Includes: issues of succession, preserving the long-term existence of the company |
| | Ownership issues | Includes: issues such as retaining earnings, increasing the equity ratio, investing profits in the company, being responsible for co-partners and co-shareholders |
| | Employee fluctuation | Includes: references that refer to desire to retain employees, few employees leaving the firm and similar issues |
| Themes describing the sustainability approach of German SMEs (Themes 3 to 7) | | |
| 3 | Societal embeddedness and networks | This represents a main theme stemming from the data. It organises categories and related codes that indicate how SMEs are integrated and embedded in their environment |
| | <i>Industrial location Germany</i> | Includes: statements that evaluate the industrial location of Germany in general, for example whether it allows to run production sites economically or whether SMEs plan to build production capacities internationally |
| | <i>Local environment</i> | Is used as a sub-theme in order to organise sub-codes that collect statements that indicate that firms are part of their local environment |
| | Local authorities | Includes: connections to official administrative local bodies, such as the local municipality or city |
| | Local society | Includes: statements that more generally refer to the fact that firms are part of their local society, show interest in it and what to contribute to it |
| | Regional linkage of participants | Includes: issues that exemplify whether the participants have a personal relationship to the local sphere, for example are there grown up or do live there |

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| | Local employees | Includes: references that indicate that employees come from places close to the firm, such as the same village or region |
| | Regional suppliers | Includes: issues that implicate where suppliers of SMEs are located, whether they are rather regionally, nationally, or internationally |
| | Regional customers | Includes: references about the location of customers, for instance, whether there is the tendency to have local customers or not |
| | Honorary posts | Includes: honorary posts in business associations resp. general statements on this |
| | <i>Activities in the social sphere</i> | This represents a sub-theme that organises codes in the area of donating and charity |
| | Charity projects | Includes: all social activities outside the firm like the following examples may suggest supporting disabled persons, providing financial support to social facilities, contributing to social projects and so forth |
| | Cultural sponsoring | Includes: donating to cultural events, such as festivals |
| | Sponsoring clubs | Includes: monetary and non-monetary support of local clubs, such as sport clubs and other associations |
| | Supporting education | Includes: partnerships to schools, as well as all kinds of support provided to schools, universities, other projects that are related to education and so forth |
| | <i>Network externalities</i> | Includes: quotes that exemplify that SMEs try to convince business partners to use more sustainable practices, such as multi-use packaging systems with suppliers or try to convince customers to use more sustainable products |
| | <i>Involvement in business associations</i> | Is used as a sub-theme that organises codes that refer to the involvement in different kinds of business associations |
| | Relevance of sustainability topics | Includes: quotes that indicate as whether sustainability topics are discussed in different kinds of business associations. |
| | SME business associations | Includes: references to business associations that focus on SME related issues |
| | Sustainability business associations | Includes: references that describe the participation of firms in associations related to sustainability issues |
| | Regional associations | Includes: business associations or networks that consist of firms from a special region |
| | Traditional business associations | Includes: typical business associations like the Chamber of Industry and Commerce |
| | Subject-specific industry associations | Includes: branch-specific industry associations |
| | <i>Cooperations</i> | Is used as a sub-theme that collects two codes, which collect references that indicate joint projects with research institutes or other firms |
| | Research facilities | Includes: references that refer to joint projects with research facilities |
| | Firms | Includes: references that indicate jointly undertaken projects with other firms, such as large corporations |

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| 4 | Employees | This is a major theme that also plays a dominant role in the literature. In a similar vein, analysing data has indicated that employees seem to be one of the most important areas of concern |
| | <i>Importance</i> | This sub-theme organises codes that indicate the importance of employees in a more general way |
| | Shortage of qualified labour | Includes: aspects like demographic change, difficulties of recruiting qualified staff and problems to find good apprentices |
| | Representing a factor of success | Includes: references that indicate that employees are a crucial factor for company success |
| | Valuing employees in a more general sense | Includes: all issues that describe that employees seem to be valued by participants, as human beings and not only as an 'instrument' |
| | <i>Employee-oriented culture</i> | This sub-theme organises codes that describe what responsibility in an employee context comprises. It represents a very important aspect in data |
| | Close relationship to employees | Includes: references that indicate a familiar relationship to the employees |
| | Job security | Includes: all issues that implicate that preserving and generating jobs is of high importance to firms |
| | Treating employees in a fair manner | Includes: references that indicate a fair and equal treatment of employees, as well as caring for their satisfaction and well-being more generally |
| | Equality of chances | Includes: integrating immigrants, gender issues etc. |
| | Pressure and workload | Includes: references that describe the situation of employees regarding working pressure, as seen by the participants and related symptoms such as stress, burnout etc. |
| | Supporting employees in difficult situations | Includes: issues such as taking care of ill employees, being flexible in the case of blows and so forth |
| | Negative view on employees | Includes: references that describe employees in a negative way, such as laziness, defiance |
| | <i>Activities</i> | Is used as a sub-theme that mainly collects codes that stand for activities in order to improve the wellbeing of employees. Here concrete practices are the main focus |
| | Offering vocational training | Includes: references that refer to vocational training in firms, which is traditionally an important issue in German companies |
| | Providing continuous training | Includes: further professional training, technical training, workshop etc., basically all activities that indicate an improvement of the competencies of staff and management |
| | Additional financial benefits | Includes: incentive payments, profit sharing, perks |
| | Flexible working time | Includes: references that describe flexible working time arrangements in firms |
| | Health management | Includes: references that describe practices to improve employee's health, such as sport groups, healthy food etc. |

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| | Ergonomic working conditions | Includes: all aspects that refer to facilitate working conditions for employees, for example by means of technical equipment, security regulations and so forth |
| | Providing additional facilities | Includes: canteens, day-cares, and all kind of facilities to improve the wellbeing of employees |
| | Job rotation | Includes: changing tasks of employees, which aim at reducing monotony of the work |
| | Events | Includes: summer festivals, Christmas celebrations for employees organised by the firm |
| | <i>Cooperation with works council</i> | This represents a sub-theme itself and describes how institutionalised works councils are seen by participants as well as how the collaboration is experienced |
| 5 | Ecological dimension | This is a major theme identified from the literature as part of the traditional triple bottom line understanding of sustainability. It has also turned out to be a prominent topic in data, however given the strict environmental regulation in Germany there are firms in the sample, which do not seem to put high importance to it |
| | <i>Importance</i> | This sub-theme organises codes that relate to the significance environmental issues play for participants, insofar whether there seems to be an intrinsic motivation to consider ecological issues or for example rather the mentality to obey the law |
| | Legal regulations | Includes: references that refer to environmental regulation and its relevance regarding the importance of ecological aspects |
| | Showing environmental awareness | Includes: references that exemplify that environmental issues play an important role in the world view of participants |
| | Indicating a lower relevance of environmental issues | Includes: statements that indicate that there seems to be a neglect of ecological aspects |
| | <i>Activities</i> | This sub-theme is used in order to organise codes that relate to concrete environmental practices |
| | Recycling | Includes: recycling, waste separation, reusing material |
| | Biodiversity | Includes: activities that refer to the protection of natural diversity |
| | Integrating ecological considerations in products | Includes: all references that indicate that ecological thoughts are considered in the product development process, such as energy efficiency, upgradable products etc. |
| | Preventing pollution | Includes: using environmentally friendly materials, avoiding toxic substances, water and soil protection etc. |
| | Vehicle fleet | Includes: all activities that refer to reducing the environmental impact of company cars etc. |
| | Improving processes | Includes: references that describe how processes have been changed in order to reach a higher efficiency or reduce the environmental impact of the firm's activities |
| | Using green electricity | Includes: the use of a green electricity supplier |
| | Producing green energy | Includes: solar panels, combined heat and power units, heat pumps and similar instruments |

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| | Saving energy | Includes: references that indicate how the firm tries to save energy, for example by using energy-saving lamps, modern machines etc. |
| | Saving resources | Includes: reducing the use of paper sheets, water, generally speaking all sort of resources which are not primarily related to energy |
| 6 | Motivational aspects | This is a major theme, identified in data, and also widely discussed in literature. It mainly deals with reasons firms engage in sustainability issues and whether this may lead to a competitive advantage. The theme is on a higher level of abstraction than the sub-theme below organising the codes |
| | <i>Intention and competitive advantage</i> | This represents the sole sub-theme of this theme. It organises codes that describe the reasons for an engagement in sustainability issues |
| | Economic benefits | Includes: cost savings, motivated employees, and similar positive economic aspects |
| | Denying that there may be economic benefits | Includes: references that indicate that participants do not believe that an engagement in various sustainability issues may result in a competitive advantage |
| | Image | Includes: increasing popularity of the firm, making the firm more visible etc. |
| | Intrinsic belief | Includes: references that refer to the predominance of an intrinsic belief, such as the personal conviction to be environmentally-friendly or generally some kind of moral obligation |
| | External pressure | Includes: aspects that exemplify a strong external pressure to engage in sustainability issues, such as customers requiring certain certifications |
| | Combination of external and internal pressure | Includes: references that indicate that there is a mix of external as well as internal pressure, for example customer demands and at the same time also some sort of internal desire |
| 7 | Business practices and principles | This is a major theme developed from data. It indicates that SMEs seem to have an approach of doing business that differs from that of large firms |
| | <i>Mittelstand'-approach of doing business with each other</i> | This sub-theme collects references that implicate that the 'inter-SME' relationship and cooperation seems to be different from the one to large corporations, characterised by issues such as fairness, trust and similar values |
| | <i>Moral and ethical aspects</i> | Is used as a sub-theme that organises codes that collect information on the values of participants and what is right or wrong in doing business from their world view |
| | Norms and values | Includes: references that show aspects of the values and moral worldview participants indicated. Here, more general issues are covered, which could not be considered by other codes |
| | Critical working conditions | Includes: child labour, violating labour rights, avoiding minimum wages and similar issues |
| | Arms industry | Includes: references that describe doing business with the arms industry, such as supplying firms with parts for weapons or other military equipment |

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| | Corruption | Includes: issues of bribery, presents for business partners respectively compliance in general |
| | Subsidies | Includes: issues of governmental support for businesses etc. |
| | Management remuneration | Includes: references that describe the participant's view on the remuneration of large firm's managers in comparison to that of 'Mittelstand' firms |
| | Objectives of a firm | Includes: aspects that describe the overall nature and objective of a company, rather from a holistic and more philosophical point of view |
| | <i>Reflection</i> | This sub-theme organises codes that indicate that participants are critically thinking about their contribution to the society as well as evaluating this engagement |
| | Evaluating own engagement | Includes: critical and self-reflective comments on the relationship of the firm and the society and how this could be improved |
| | Transparency of suppliers | Includes: possibilities to monitor social and ecological issues in the supply chains, this mainly includes limitations to do so |
| A | INTEGRATIVE THEME: MANAGEMENT APPROACH | This has been identified as a major theme in data. It collects and organises categories and codes regarding the management approach of different areas of the participating firms. It is labelled as an integrative theme as, first, issues regarding the management approach may be interrelated and hence this, second, allows a more substantial analysis and comparison |
| | <i>General management approach</i> | Is used as a sub-theme that organises codes primarily related to general issues of the management approach |
| | Formalisation | Includes: references that provide information on formalisation and how structured the management approach of SMEs is |
| | Employee empowerment | Includes: all references that indicate a certain independence and autonomy of employees in their daily work as well as confidence in their abilities to decide by their own |
| | <i>Management approach employees</i> | Is used as a sub-theme that organises codes related to any systematics or management instruments related to employees. There only seem to be few systematic management instruments in use |
| | Systematics | Includes: management issues in the employee sphere that could not have been allocated to a previous code and rather refers to more general systematics |
| | Management guidelines and values | Includes: references that describe the implementation of management guidelines, in principle, issues such as the quality of leadership, values of leadership, company culture and similar aspects |
| | Feedback culture | Includes: references that indicate that providing feedback to employees and among management is common |
| | Survey tools | Includes: issues such as employee surveys, staff appraisal meetings, institutionalised appraisals by subordinates and similar instruments |

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| | Key performance indicators | Includes: figures used to measure or manage employee related issues, such as sickness figures, fluctuation etc. |
| | <i>Management approach ecological dimension</i> | This sub-theme organises codes related to systematics how ecological aspects are managed |
| | Works suggestion scheme | Includes: references that describe how suggestions of employees are implemented, as part of a continuous improvement process. Here, examples mainly refer to ecological issues however, proposals of employees can also concern other areas |
| | Form of the management system | Includes: issues such as management systems, certifications etc. Generally speaking, references that describe how ecological issues are managed, whether instruments are applied, and related issues |
| | Benefits | Includes: statements that describe potential benefits of the use of management systems but also critical reflection whether participants experience advantages due to the certification |
| | Problems | Includes: references that indicate reasons that may hinder or prevent the implementation of management systems or certifications, such as a lack of resources etc. |
| | <i>Selecting societal activities</i> | Is used as a sub-theme that collects codes referring to issues of the selection of activities in the social sphere. This includes predominately selection criteria and how the selection process is organised |
| | Local relationship | Includes: references that indicate that there either is a regional linkage and/or personal interest and relationship of the participant himself or employees of the firm to issues that are being supported |
| | Resource orientation | Includes: references that indicate that there is a defined budget for societal activities that guides the engagement, in principal a selection primarily on available resources |
| | Win-win approach | Includes: statements that mainly indicate a selection based on the consideration of getting back something for a potential engagement |
| | Implementation dynamics | Includes: references that describe more general aspects of the selection process, such as deciding intuitively or emotionally etc. |